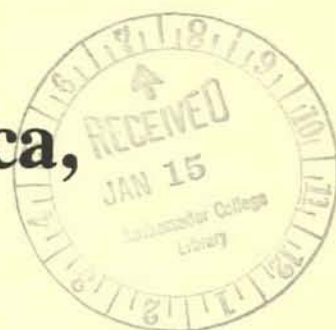


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JANUARY, 1986

Central and South America, 1986



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Current History

JANUARY, 1986

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The nations of Central and South America face mounting foreign debts, guerrilla wars, and the first tests of newly established democratic governments. These problems and the prospects for the region are discussed in this issue. According to our lead article, United States policy toward the region has focused on Central America: "The primary American policy objective [has been] to regain the traditional hegemony over Central America enjoyed by the United States since the turn of the century."

The United States and Latin America

BY WILLIAM M. LEOGRANDE

Associate Professor of Political Science, American University

CENTRAL America dominated President Ronald Reagan's Latin American policy in 1985, just as it had in the preceding four years. Broader hemispheric issues, like the growing burden of foreign debt at threatened the economic and political stability of several major Latin nations (some of them newly established democracies), remained a secondary priority. Central America was the first foreign policy issue taken up by the incoming Reagan administration in 1981, and President Reagan used it to set an example of his toughness in foreign policy. Within three months, the administration more than tripled military assistance to El Salvador, cut off economic assistance to the revolutionary Sandinist government in Nicaragua, and threatened direct military action against Nicaragua and Cuba.

The primary American policy objective was to regain the traditional hegemony over Central America enjoyed by the United States since the turn of the century, defeating by force the revolutionary movements that had emerged in the 1970's as major contenders for power in El Salvador, Guatemala and Nicaragua. In 1985, this objective remained the cornerstone of administration policy. The rationale most often given for this policy was the need to prevent the expansion of Soviet influence in the hemisphere. But when diplomatic efforts provided the opportunity to meet United States security concerns, the administration was less than enthusiastic, suggesting a

deeper anti-Communist ideological motivation for its policy.

The difficulties inherent in the administration's Central America policy also remained largely unchanged in 1985. Domestic and international opinion proved to be more resistant, and the revolutionaries in Central America proved to be more tenacious, than originally anticipated. Still, the administration was relatively pleased with its progress, although the progress came not in Central America combating revolutionaries, but in Washington, D.C., vanquishing congressional Democrats.

EL SALVADOR

During his first weeks in office in 1981, President Reagan declared his determination to draw the line in El Salvador against the expansion of communism. This translated into a policy of providing massive military assistance to the Salvadoran armed forces so they could defeat the leftist guerrillas of the FDR-FMLN¹ on the battlefield rather than accepting a negotiated settlement that would give the opposition a share of political power.

Between 1980 and 1985, United States military assistance to El Salvador totaled \$500 million, rising from \$10 million in 1980 to over \$120 million in 1985. Over 100 United States military advisers were in El Salvador coordinating every phase of the war, from strategic planning at General Staff headquarters to tactical advice to battalions in combat, and United States military units based in Honduras were flying intelligence-gathering missions over the Salvadoran countryside.

In its efforts to win a military victory, the Reagan administration confronted not only the problem of how to

¹The FDR-FMLN is a broad coalition of opposition groups that was formed in 1980 when the Revolutionary Democratic Front (FDR), itself a coalition of political parties and civic associations, joined with the Farabundo Martí Front for National Liberation (FMLN), a coalition of five guerrilla organizations.

strengthen the Salvadoran armed forces, but also how to consolidate the regime (which was badly divided between the far right and the center-right), and how to handle domestic congressional and public resistance to the escalating United States military involvement.

The State Department, more than any other agency, saw the political consolidation of the Salvadoran regime as essential to long-term stability. Assistant Secretary of State Thomas O. Enders, who was the principal architect of policy toward Central America until 1983, tried to consolidate the regime around a center-right coalition within which the balance of power would be determined by elections. Washington would use its influence with the military to effect limited reforms sufficient to assure continued congressional funding for the administration's policy.

These efforts would buy time for large-scale United States military aid to give the Salvadoran army the upper hand on the battlefield, eventually limiting the guerrillas to isolated pockets of resistance in depopulated northern provinces. Seeing the hopelessness of the war, the center-left politicians of the FDR might be enticed to break with the "Marxist-Leninists" in the FMLN and join an electoral process controlled by the government. The most recalcitrant fighters would remain in the hills; without domestic or international legitimacy, they could eventually be eradicated. At the State Department, this scenario was dubbed the "Venezuelan solution," because of its superficial similarity to the way in which the insurgency there was defeated in the 1960's. Even after Enders departed, this remained the administration's blueprint for El Salvador.

Congress did not become a serious obstacle to this strategy until 1983. The visible failure of the President's policy to achieve its stated objectives, its growing price tag, and the President's apparent determination to escalate United States involvement began to frighten moderate Democrats and Republicans. By year's end, Congress had cut Reagan's military aid requests for El Salvador and for the Nicaraguan contras by half, and was threatening to further cripple the administration's policy with tighter restrictions.

Congressional opposition to administration policy in El Salvador peaked in early 1984 when the House of Representatives came within five votes of adopting such strong conditions on military aid that it would almost certainly have been terminated. By 1985, however, the willingness of congressional Democrats to oppose the administration on El Salvador had eroded considerably. This was due in part to the general demoralization of the Democrats in the wake of their stunning defeat in the 1984 presidential election. But the major explanation was to be found in El Salvador itself.

The Christian Democratic party (PDC), led by José Napoleón Duarte, won the Salvadoran presidential elec-

tions in 1984 and the legislative assembly elections in 1985. These triumphs by the PDC, and the willingness of the armed forces to tolerate them, convinced many members of Congress that the situation in El Salvador was gradually improving. The number of murders by the extreme right's death squads also declined significantly in 1984 and 1985, reducing the most gruesome and visible stain on the regime's human rights record. Finally, in late 1984 President Duarte opened a dialogue with the FMLN. Even though the dialogue stalled after only two meetings, Duarte won considerable credibility in Congress simply for making the effort.

But the change in the nature of the war had the great impact in Washington. From 1981 to late 1983, the FMLN had held the initiative, determining the pace of the war. In 1984, however, the FMLN was forced to alter its military strategy because of the growing air power and mobility of the army. Rather than concentrating the forces for major engagements, the guerrillas dispersed into small units to fight a "war of attrition." As a result, the war in El Salvador faded from the headlines in the United States. And as news of the war subsided, many in Washington came to believe that the administration's often repeated assurances of military success might be true. Those in Congress who had opposed administration policy because of its failure to produce results became less adamant in their opposition. Thus the Democrats in the House chose compromise, producing a foreign aid bill that gave the administration most of the nearly \$500 million it requested for El Salvador, under the mildest restraints. So thorough was the administration's triumph that Assistant Secretary of State for Inter-American Affairs Elliott Abrams was able to brag (albeit with some exaggeration) that the administration had built a "wall-to-wall" consensus on El Salvador.²

The administration's majority coalition in Congress was fragile, however, prone to shatter easily if the aura of success surrounding the policy were suddenly to dissipate. The danger was real, because many of the gains made in El Salvador were superficial; its basic problems remained unresolved.

Duarte's popularity in Washington did not alter his political position in San Salvador. Duarte was elected because he promised greater socioeconomic reform and a negotiated solution to the war. He could not deliver either of these pledges in the face of opposition from the still economically powerful oligarchy and the politically preeminent armed forces. Even American support for Duarte was not unequivocal; during the 1985 Salvadoran legislative elections, the administration had hoped that a coalition of rightist parties would defeat the Christian Democrats in order to prevent Duarte from undertaking either reforms or negotiations that might alienate the right.³

When Duarte's campaign promises went unfulfilled and the economy continued to deteriorate, urban political activity began to revive. The quiescence of the ear-

²Quoted in the *Washington Post*, October 11, 1985.

³See the *Washington Post*, March 20, 1985.

1980's was due primarily to the physical elimination of thousands of urban activists by the death squads and the government's security forces (in the years between 1980 and 1983, some 40,000 noncombatant civilians were killed).

The revival of urban political activity was reminiscent of the tumultuous 1970's. The far right immediately characterized urban activity as subversive, and death squad killings began to rise again. There was little Duarte could do to calm the new urban movement; he had neither the resources nor the power to meet its demands for reform and dialogue, and he could countenance its repression only at the risk of sacrificing his own political base.

The military situation was hardly more stable. The army was most successful not in engaging the guerrillas but in depopulating those areas of the countryside under guerrilla control. Although this forced depopulation damaged the logistical base of the guerrillas, it also created an ever-expanding dependent population of internal refugees living at government expense—an added strain on El Salvador's already moribund economy.

The success of the guerrillas' small unit tactics was difficult to assess, but the guerrillas continued to inflict significant casualties on the army and occasionally launched dramatic attacks. Although the guerrillas no longer seemed to hold the initiative, the armed forces did not appear to have won the war either. In short, there was a stalemate, with neither side having much chance of scoring a decisive victory in the near future. But as long as the Reagan administration could maintain a congressional majority willing to spend \$500 million annually in pursuit of victory, it seemed certain that the administration would stay the course.

NICARAGUA

The Reagan administration began its second term in office more determined than ever to depose the Sandinista government in Nicaragua. When Ronald Reagan first came to office in 1981, his policy toward Nicaragua was a function of his intent to win the war in El Salvador. United States Ambassador Lawrence Pezzullo convinced the Sandinistas that they could restore the understanding they had with Washington before Ronald Reagan's election—that United States economic aid was contingent upon Nicaraguan restraint in El Salvador. But hardline conservatives in the National Security Council, the Defense Department, and the Central Intelligence Agency (CIA) were more interested in overthrowing the Sandinistas than in reaching any understanding with them. They prevailed over Pezzullo, and on April 1, 1981, United States economic aid to Nicaragua was cut off,

despite the fact that Nicaraguan arms shipments to the Salvadoran guerrillas had been curtailed in response to United States demands.

By late 1981, the United States had embarked on a full-fledged policy of hostility toward Nicaragua, the centerpiece of which was the creation of a secret counterrevolutionary army of Nicaraguan exiles ("contras") trained to wage war against the Sandinista government from base camps in Honduras. At first, this covert war was intended to interdict the flow of arms from Nicaragua to the FMLN. But the aim of arms interdiction soon gave way to the goal of eliminating the Sandinista regime. An operation originally planned to include about 500 commandos ended up with an army of some 15,000.

The creation of the contra army was supplemented by a massive buildup of the Honduran armed forces, financed by the United States, and a series of regional military exercises unprecedented in size and duration. In conjunction with these maneuvers, the United States built in Honduras the basic infrastructure necessary to support a direct invasion of Nicaragua by United States troops. On several occasions, senior administration officials asserted that direct intervention might ultimately be necessary if the contras failed to accomplish their purpose.⁴

The covert war and the military buildup on Nicaragua's borders constituted only one facet of the administration's comprehensive assault on the Sandinista regime. Economic pressures were applied first by halting bilateral aid, then by pressuring multilateral institutions like the World Bank and the Inter-American Development Bank to curtail lending to Nicaragua and, finally, by imposing a full trade embargo.

At the behest of Mexico, the United States agreed to reopen bilateral negotiations with Nicaragua in 1984, but before the year ended the administration had withdrawn from the talks, claiming that Nicaragua was unresponsive. The insurmountable obstacle was the United States demand that Nicaragua agree to negotiate the internal character of its political system and, in particular, that the Sandinistas agree to negotiate with the contras. Since the military leadership of the main contra group, the Nicaraguan Democratic Force (FDN), was dominated by former members of ex-President Anastasio Somoza's National Guard, the Sandinistas refused absolutely to negotiate with them.⁵

AMERICAN OPPOSITION

President Reagan's policy of hostility was controversial from the start. The proposal for covert paramilitary operations encountered sharp opposition when it was first submitted to the congressional intelligence committees in December, 1981. Opponents argued that the operation would entangle the United States with the remnants of Somoza's hated National Guard—a futile alliance that would rally popular support behind the Sandinista government—and that it might spark a wider regional

⁴See, for example, Secretary of State George Shultz's speech to the American Bar Association quoted in *The New York Times*, May 26, 1985.

⁵In mid-1985, Arturo Cruz, a leading contra political spokesman, indicated his concern over the growing influence of the pro-Somoza elements among the contras. See *The Christian Science Monitor*, October 15, 1985.

war, drawing the United States into direct military involvement. Administration officials assured Congress that the objective of covert operations would be limited to halting the arms allegedly flowing from Nicaragua to the Salvadoran guerrillas.⁶

Despite growing congressional opposition,⁷ the administration continued to expand the covert war in 1983. The Democratic leadership in the House finally became convinced that Congress could not control or limit the war because the administration would not deal with the Congress in good faith; the only alternative, therefore, was to stop it. In July, 1983, the House adopted the Boland-Zablocki amendment* prohibiting the funding, directly or indirectly, of military or paramilitary operations against Nicaragua. The Republican-controlled Senate refused to accept the ban, however, and a compromise reached between the two chambers continued funding for the covert war until mid-1984.

In March, 1984, the administration sought further funding, which the Senate initially approved. Shortly thereafter, the press revealed that the CIA had mined Nicaragua's harbors, damaging ships from nearly a dozen nations, most of them allies of the United States. The administration compounded the political damage by refusing to recognize the jurisdiction of the World Court to hear a complaint against the mining brought by Nicaragua.

Congress condemned the mining and the withdrawal from the court. The House voted again to refuse further funding of the contra war, and for the first time the Senate gave in to the House position. By that time, the money appropriated for the war the preceding November had been exhausted, so the legal expenditure of United States funds to aid the contras came to an end.

In 1985, the top priority of the Reagan administration's Nicaraguan policy was to win congressional approval for a resumption of aid for the contras. In the meantime, the administration skirted the edge of the law by encouraging private groups in the United States and countries like Israel, South Korea, Honduras and El Salvador to provide support for the contras while the administration fought to repeal the congressional ban.

Early in 1985, the administration's prospects appeared dim. The House Democrats remained firm against aid for the contras, and the Republicans had not won enough

*Written by Representatives E. P. Boland (D., Mass.) and C. J. Zablocki (D., Wisc.).

⁶*The New York Times*, March 14, 1982 and April 8, 1983, *Washington Post*, March 10, 1982, and *Newsweek*, November 2, 1982.

⁷"Congress Sought to Place Limits Early on U.S. Covert Assistance to 'Contras,'" *Congressional Quarterly Weekly Report*, vol. 43, no. 16 (April 20, 1985), pp. 710-711.

⁸The definition of "humanitarian" aid was broad enough to include nonlethal military equipment like helicopters, light planes and parachutes.

⁹*Making Supplemental Appropriations for the Fiscal Year Ending September 30, 1985, and for Other Purposes: Conference Report*, House Report 99-236, 99th Congress, 1st Session, July 2, 1985, p. 56.

House seats in the 1984 election to close the margin. In an effort to overcome the House's resistance, in April, 1985 Reagan promised to spend the \$14 million he was requesting only for "humanitarian" aid to the contras.⁸ The House Democratic leadership feared that Reagan's proposal might erode the majority against funding the contras, so they devised an alternative that provided \$1 million for the international relief organizations to aid Nicaraguan refugees in Honduras.

On two very close votes, the House approved the Democrats' proposal for refugee aid and rejected the Republican proposal for direct nonlethal aid to the contras. Then, to everyone's surprise, on a third vote the Democrats' proposal was defeated by an unlikely coalition of Republicans and liberal Democrats, who opposed any aid whatsoever. The press headlined the votes as total defeat for President Reagan's Nicaragua policy because all the aid proposals had failed. In fact, the closeness of the votes indicated that the administration's position was stronger than anyone had anticipated. It became stronger still the day after the vote when Nicaraguan President Daniel Ortega Saavedra departed on a state visit to Moscow.

The Republicans immediately began plotting a new effort to secure "humanitarian" aid for the contras. They were joined by some conservative Democrats angry at their liberal colleagues for voting against the refugee aid proposal and thereby leaving the conservatives without any "political cover." When the issue was joined once again on June 12, the House reversed its two-year-old opposition to aid for the contras, approving by a wide margin the White House's proposal for \$27 million in nonlethal assistance.⁹

Reagan's victory was attributable largely to the cumulative effects of the administration's four-year vilification of the Sandinistas, combined with Republican accusations that the Democrats were soft on Nicaraguan communism. The threat of a McCarthy-style recrimination kindled political fear among Democrats, especially those from conservative districts in the South. That fear was exacerbated by Ortega's trip to Moscow, which lent credence to President Reagan's charges that the Sandinistas were Soviet-led Communists, and by the heavy lobbying mounted by the White House and its grassroots allies of the New Right.

But the resumption of aid to the contras did not change the sobering reality described by the two previous commanders of the United States Southern Command in Panama: the contras by themselves had no chance of actually ousting the Sandinistas. Not only did the administration's policy of pressure offer little hope of removing

(Continued on page 40)

William M. LeoGrande has written widely on United States relations with Latin America; he is the coeditor of *Confronting Revolution: United States Policy in Central America* (New York: Pantheon, forthcoming).

In Nicaragua, "rebuilding a society turned out to be much more difficult in reality than in theory, and resisting pressure from the United States was becoming a struggle without end. The Sandinista revolution, justified in the name of restoring true sovereignty to Nicaragua, had succeeded only in transforming the nation into a pawn in the international game of power politics."

Nicaragua's Frustrated Revolution

BY RICHARD L. MILLETT

Professor of History, University of Illinois, Edwardsville

NICARAGUA's ruling Sandinista National Liberation Front (FSLN) faced massive economic and political problems at the end of 1984. However, there were some reasons to believe that during 1985 Nicaragua's economy might improve or at least stabilize, the level of conflict might decline significantly, and the Sandinistas might make major progress in their efforts to consolidate their control over the nation. By late October, 1985, these hopes had been largely dashed. The economy had continued to deteriorate; internal conflict had grown, the Sandinistas had suspended civil rights in an effort to deal with both guerrilla attacks and domestic political criticism; the prospects for a regional peace settlement through the Contadora group appeared slim at best; and the administration of United States President Ronald Reagan seemed more determined than ever to put an end to Nicaragua's revolutionary experiment.

The transformation of the Sandinistas' revolutionary dream into an ongoing nightmare of frustrations and increasingly bloody conflicts began long before 1985. Elements of the defeated dictatorship of Anastasio Somoza Debayle had never ceased fighting the FSLN. As the Sandinista leadership took the revolutionary process steadily to the left, more and more Nicaraguans (including some who had fought against Somoza and/or had held high posts in the postrevolutionary government) broke with the Sandinistas and went into open opposition: United States suspicions of the revolution, present from the beginning, were reinforced by burgeoning Nicaraguan ties with Cuba and the Soviet bloc and by the FSLN's support of the insurgency in El Salvador. The inauguration of Ronald Reagan added a strong ideologi-

cal element to the rift between the two nations and fueled the hopes of opponents of the Sandinistas that the United States would help topple the government in Managua.

Sandinista policies contributed to the growth of opposition forces, both at home and abroad. A notable example was the inept Sandinista effort to deal with the Miskito Indian population along the Atlantic Coast. Thousands of Indians fled to neighboring Honduras, damaging the FSLN's image and providing a major source of recruits for the armed opposition.¹ A major dispute also developed between the government and the leaders of Nicaragua's dominant Roman Catholic Church, a conflict highlighted during the Pope's controversial 1983 visit to Nicaragua. United States covert funding helped translate growing opposition into an armed counterrevolutionary effort. By 1984, opposition forces, known as "contras," were making major incursions into Nicaragua, contributing significantly to the growing political tension and economic chaos.

The Sandinistas responded to these threats in a variety of ways. They rapidly expanded their armed forces, securing weapons from the Soviet bloc and military instructors from Cuba. But when they instituted compulsory military service to fill the ranks of the military they generated new opposition and weakened their support among Nicaragua's youth. On the international front, Nicaragua gave strong verbal support to the Contadora peace process, a mediation effort undertaken by Colombia, Mexico, Panama and Venezuela, pushed for bilateral negotiations with the United States, and sought economic assistance throughout the world. These efforts had some success during 1984. The Contadora effort survived several critical junctures and actually produced a draft peace treaty for the Central American states. The United States, strongly encouraged by Mexico, entered into bilateral discussions with Nicaragua. Foreign aid continued to flow into Nicaragua from Western, nonaligned and Soviet bloc nations, although United States efforts succeeded in blocking some help from international organizations.

Seeking to counter domestic and international criticisms, the Sandinistas hurriedly moved up Nicaragua's election timetable to early November, 1984.²

¹For an account of the conflict between the Sandinistas and the Indians see Americas Watch Committee, *The Miskitos in Nicaragua, 1981-1984* (New York: Americas Watch Committee, November, 1984).

²The Reagan administration denounced the elections as a sham and a fraud. Its criticisms are summarized in U.S. Department of State, *Sandinista Elections in Nicaragua* (Washington, D.C.: United States Government Printing Office, 1984). A more favorable view is presented in International Human Rights Law Group and Washington Office on Latin America, *Political Opening in Nicaragua* (Washington, D.C.: Washington Office on Latin America, 1984).

In the wake of the 1984 elections, Nicaragua's leaders appeared to have cause for cautious optimism. A major crisis with the United States over the delivery of Soviet MiG aircraft to Nicaragua collapsed when no MiG's were delivered. Instead, the Sandinistas acquired several MI-24 helicopters, a much more useful weapons system in the war against the contras. Reagan administration efforts to discredit the Sandinistas suffered a further blow in late November, when the International Court of Justice (World Court) agreed to hear Nicaragua's suit against the United States for its involvement in the mining of Nicaraguan harbors and its support of the armed counterrevolutionaries.

Divisions and rivalries within the opposition encouraged the Sandinistas further. Participation in the elections had been one point of conflict, producing acrimonious debates and splits in political parties. The tactics, leadership and political programs of the armed opposition were also subjects of constant internal conflicts. The two major opposition factions, the Nicaraguan Democratic Force (FDN) and the Democratic Revolutionary Alliance (ARDE), seemed unable to work effectively together. ARDE was further divided between supporters of ex-Sandinista hero Edén Pastora and the advocates of more direct ties with the FDN and with the Reagan administration. The Miskito Indians, with their own set of goals and grievances, were also showing increasing signs of unhappiness with the war against the Sandinistas. One prominent Miskito leader, Brooklyn Rivera, opened talks with the FSLN and, by December, 1984, it appeared that there was significant progress in these negotiations.³

By the start of 1985, however, whatever cause the Sandinistas might have had for optimism had already begun to dissipate. Just before Christmas, 1984, Sandinista agents seized a young Nicaraguan, José Manuel Urbina Lara, who had sought asylum in the Costa Rican embassy. Costa Rican opinion was outraged, and relations with Nicaragua were nearly severed. Costa Rica announced that it would attend no further meetings of the Contadora group until Urbina Lara was freed, effectively freezing the regional peace process just when it showed some signs of approaching fruition.⁴ International participation in Daniel Ortega's January, 1985, presidential inauguration proved somewhat disappointing; many leaders, including Venezuelan ex-President Carlos Andrés Pérez, vice president of the Socialist International, and Andres Zaldivar, president of the World Christian

Democratic Union, declined invitations to attend. A few days later, President Reagan announced the suspension of the bilateral talks with Nicaragua being held in Mazanillo, Mexico, and declared that the United States would boycott the World Court proceedings on Nicaragua's charges against his administration. It was very clear that the United States was not about to abandon its campaign against the Sandinistas.

UNITED STATES AID

When the new United States Congress met in January, 1985, the Reagan administration rapidly renewed efforts to provide funding for Nicaragua's armed opposition. To aid this effort, it began pressuring the opposition now characterized as "freedom fighters," to form a united front and expand its political as well as its military attack on the Sandinista government. In a February 21 press conference, President Reagan made his attitude toward Nicaragua clear when he said that the United States wanted the current Nicaraguan regime "removed in the sense of its present structure in which it is a Communist totalitarian state, and is not a government chosen by the people."⁵

Administration rhetoric reached its peak on March 1 when President Reagan again condemned the Sandinistas and declared that their armed opponents were the "moral equivalent of our founding fathers."⁶

Verbal attacks like these had little apparent effect on congressional opponents of renewed funding for the contras, especially as they were followed by a barrage of reports of contra atrocities. By the end of March, Republican congressional leaders were advising the White House that current funding proposals had no chance of passage and that a change of tactics was in order. On April 4, President Reagan unveiled a "proposal for peace" in Nicaragua that called on the government and the opposition to "lay down their arms and accept the offer of Church-mediated talks on internationally supervised elections and an end to the repression now in place against the Church, the press and individual rights." At the same time, the President asked Congress to release \$14 million in assistance to the contras, but pledged to use the money for food, clothing and medicine instead of for arms or munitions if the Sandinistas accepted his proposals within 60 days.⁷

Neither the Democrats in Congress nor the government in Managua found this new proposal particularly appealing. The Nicaraguan government had earlier announced that it would send home some Cuban military advisers and stop the acquisition of new major weapons systems. It had also invited the United States Congress to send a delegation to inspect Nicaraguan defense installations. Nicaraguan President Daniel Ortega responded to the Reagan peace plan by announcing that the Nicaraguan government would accept a cease-fire and offer the insurgents an amnesty if the United States would withdraw all aid from the contras and resume bilateral talks.

³*Central America Report* (Guatemala), December 14, 1984, p. 388.

⁴*Rumbo Centroamericano* (San Jose, Costa Rica), February 21-27, 1985, p. 5.

⁵Transcript of President Ronald Reagan's February 21, 1985, news conference.

⁶*The New York Times*, March 23, 1985, p. 1 and February 2, 1985, p. 1.

⁷Remarks by President Ronald Reagan, White House Briefing Room, April 4, 1985.

with Nicaragua.⁸ This proposal was quickly rejected by the United States and the Nicaraguan opposition.

As the vote on renewed contra funding approached, the White House offered its critics a series of concessions, including a pledge to use the funds only for "humanitarian assistance" and to consider renewing bilateral negotiations. The Democrats responded with a proposal to funnel \$10 million in assistance to Nicaraguan refugees through the Red Cross and to appropriate another \$4 million to promote the Contadora process. The Senate approved funds for Nicaragua's armed opposition but, in a series of votes in late April, the House rejected both the Republican and Democratic aid proposals, in the process handing the White House what appeared to be a major foreign policy defeat.

Opponents of administration policies in Central America were dismayed and proponents encouraged when, on the day after the final House vote on aid to the contras, the Nicaraguan government repeated its "firm, irreversible position that it will never accept any kind of dialogue" with the armed opposition, then announced that President Daniel Ortega would leave in a few days for his second 1985 visit to Moscow.⁹ Frantic efforts to add several West European nations to the Nicaraguan President's itinerary did little to mollify the disastrous impact of this announcement.

Determined to keep up the pressure both on the Sandinistas and on the administration's congressional critics, on May 1 President Reagan announced a trade embargo against Nicaragua and barred Nicaraguan ships and aircraft from the United States. This action had little apparent effect on the Sandinistas, who vowed to continue to resist all United States pressures; but it did unleash a storm of criticism from American allies in Western Europe and in Latin America.¹⁰ None of this deterred the administration from trying to reverse the congressional decision to deny funding to the contras. On May 23, Secretary of State Shultz warned wavering Democrats that failure to aid Nicaragua's rebels could force "an agonizing choice" over involving American combat troops directly in Central America. This pressure was enforced by other high administration officials who began openly to discuss the possibility of a United States

invasion of Nicaragua.¹¹ At the same time, the White House reiterated its commitment to use appropriated funds for "humanitarian" rather than lethal assistance.

This time, administration efforts met with success. On June 6, the Senate approved \$24 million in humanitarian assistance for the contras as part of the 1986 fiscal year Department of State authorization bill, and six days later, by a vote of 248 to 184, the House followed suit. House Democrats followed this action with the Foley Amendment* to the Defense Department authorization bill, which prohibited the use of United States combat troops in Nicaragua, but before passage the effect of this action was considerably diluted when amendments were approved providing exceptions to this prohibition in case of "a clear and present danger of hostile attack" on the United States or its allies, Nicaraguan involvement in acts of terrorism or airplane hijackings, the introduction of nuclear weapons or modern combat aircraft into Nicaragua or the need to protect the United States embassy in Managua.¹²

After the congressional approval of funding for the contras, administration interest in Nicaragua seemed to wane. Plans were made to begin shipping aid to the contras in October, when the new fiscal year began and, for a time, the administration showed signs of seeking an opportunity to take advantage of the loopholes in the Foley Amendment by linking Nicaragua with international terrorism. But by late summer, preoccupation with the deteriorating situation in South Africa and the forthcoming summit meeting in Geneva considerably reduced the attention devoted to Central America.

The United States was also embarrassed by the International Court of Justice hearings on Nicaragua's allegation that the United States was guilty of aggression, state terrorism, attacks on Nicaragua's economy and other violations of international law. Finally, the Reagan administration announced that it would no longer automatically accept the Court's jurisdiction in any "political disputes." On October 2, Secretary of State Shultz indicated that administration attitudes toward Nicaragua had not changed when he characterized its government as a "moral disaster" and declared that the United States must oppose the Sandinistas "not simply because they are Communists, but because they are Communists who serve the interests of the Soviet Union and its Cuban client and who threaten the peace of the hemisphere."¹³

Nicaragua's ability to resist Reagan administration pressures was enhanced by divisions among and controversies about the contras. For the Sandinistas, the most hopeful development in 1985 may have been their ongoing efforts to separate the Miskito Indians from other elements of the armed opposition. Negotiations between the Nicaraguan government and Brooklyn Rivera, leader of one faction of the Miskitos, were carried on sporadically for several months. In April, an agreement was reached for a truce between the government and the Indians, but this broke down the following month.¹⁴ Nonetheless, the

*An amendment sponsored by Democratic whip Thomas S. Foley of Washington.

⁸*Central America Report*, March 8, 1985, p. 65. Foreign Broadcast Information Service, *Latin America: Daily Report* (hereafter cited as FBIS), April 16, 1985, p. P 12, and April 22, 1985, pp. P -16.

⁹FBIS, April 16, 1985, pp. P 10-11.

¹⁰For examples of Latin American reactions see FBIS, May 1985, pp. B 1, F 1, A 2, J 1, M 1, and P 1.

¹¹*The New York Times*, May 24, 1985, p. 1, and June 5, 1985, p. 1 and 4.

¹²*Washington in Focus*, June 27, 1985, pp. 1-4.

¹³*Washington Post*, October 3, 1985, p. A-5.

¹⁴Penny Lernoux, "The Indians and the Commandantes," *The Nation*, September 28, 1985, pp. 275-277; *Rumbo Centroamerica*, June 6-12, 1985, p. 9.

talks disrupted ties between the Indians and the contras and exacerbated divisions among Miskito leaders. Contra leaders tried to promote a new umbrella Indian organization, Kisan, to continue the fight against the Sandinistas. At the same time, the Nicaraguan government announced that it would permit some Indians who had been forcibly removed from their homes to return to the Coco River area and announced a plan to allow limited autonomy for the Atlantic coastal region in 1986. While none of this ended conflicts between the Indians and the government in Managua, it reduced the role of indigenous groups in the armed opposition.¹⁵

While the Sandinistas were negotiating with the Indians, elements of the armed opposition were negotiating among themselves, partly in response to United States pressures for greater unification of their factions. This effort began to accelerate in late 1984, when all major figures except Edén Pastora met in Costa Rica. On March 1, 1985, they were able to issue a joint declaration, setting forth their aims and offering the Sandinistas a national dialogue, a cease-fire and the temporary acceptance of Daniel Ortega as President. They proposed the Nicaraguan Bishops as organizers of the dialogue, with the other Central American states as guarantors, and called for a total amnesty, abolition of the newly elected National Assembly and the Sandinista Defense Committees, an end to the FSLN's control over the military and the police, and a plebiscite on Ortega's victory in the November, 1985, presidential elections, all conditions that the Nicaraguan government was certain to reject.¹⁶

Any impact this proposal might have had was dissipated by a torrent of negative publicity concerning the contras that appeared in early 1985. There were revelations of CIA (United States Central Intelligence Agency) funding of opposition political leaders, allegations of extensive human rights abuses by contra forces, and a continuing focus on the presence of former members of the Somoza dictatorship's National Guard in the rebels' military leadership. Even those who were sympathetic to the opposition's aims contributed to this deteriorating image, with General Paul F. Gorman, the commander of United States military forces in Latin America, observing that the insurgents were incapable of overthrowing the Sandinistas in "the foreseeable future."¹⁷

The June, 1985, congressional approval of renewed

¹⁵FBIS, July 3, 1985, pp. P 7-8; *Central America Report*, October 4, 1985, p. 303.

¹⁶"Documento de la Resistencia Nicaraguense sobre el Diálogo Nacional," San Jose, Costa Rica, March 1, 1985.

¹⁷*The New York Times*, February 28, 1985, p. 1, and March 7, 1985, p. 1; Americas Watch, *Violations of the Laws of War by Both Sides in Nicaragua, 1981-1985* (New York: Americas Watch, March, 1985); Arms Control and Foreign Policy Caucus, U.S. House of Representatives, "Who Are the Contras?" (April 18, 1985).

¹⁸*Rumbo Centroamericano*, September 5-11, 1985, p. 7; FBIS, September 12, 1985, p. P 21; September 27, 1985, p. P 5; October 4, 1985, p. P 7; *Central America Report*, September 13, 1985, p. 275.

funding provided some encouragement to the contras and their supporters. Merged into an umbrella organization known as UNO (Nicaraguan Opposition Unity), opposition leaders like Arturo Cruz, Adolfo Calero and Alfonso Robelo began holding frequent meetings and issuing joint communiqués. Edén Pastora remained outside the group, and his military efforts seemed to be weakening. But his image received a boost when he survived a helicopter crash in July.

Contra military efforts increased during the summer but the Sandinistas were able to contain and throw back these assaults, using newly trained counterinsurgent forces and Soviet-supplied MI-24 helicopter gunships. In October, the insurgents were beginning to reevaluate their tactics while actively seeking some means to counter the government's greatly increased firepower. Victory for either side in this three-year-old conflict still seemed far away.

INTERNAL OPPOSITION

Whatever success the Sandinistas had on the battlefield was of little help in their efforts to deal with internal opposition. This was most obvious in the ongoing struggle between the Nicaraguan government and the leadership of Nicaragua's Roman Catholic Church. The conflict centered around a host of issues, including the hierarchy's opposition to the presence of priests in the government, Church criticism of compulsory military service and of Marxist influences on the government and disputes over education. The elevation to Cardinal of Managua's Archbishop, Miguel Obando y Bravo, increased his influence and he used his new position to step up his calls for a dialogue among all Nicaraguans, including those active in the armed opposition. There was an effort to resolve or at least reduce the tensions between Church and state in August, but meetings broke down when the Cardinal persisted in calling for talks with the contras and the Sandinistas refused to allow the return of 10 foreign priests expelled in 1984 and accused the hierarchy of supporting United States aggression. In October the government banned the broadcasting of a mass celebrated by the Cardinal and closed down a Church-related newspaper.¹⁸ The suspension of all civil rights later that month seemed at least partly aimed against the Church, producing the very real prospect of a major Church-state confrontation.

Problems persisted with the political opposition as well. As usual, much of this focused around the ongoing battle between the government and the only opposition newspaper, *La Prensa*. Its editor, Pedro Joaquín Chamorro (Continued on page 38)

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"The disastrous economic situation, combined with the war, has given the United States an overwhelming influence [on El Salvador]. The three relatively free elections of recent years could hardly have succeeded without American arm-twisting . . . [However,] the prospects for this tiny, overpopulated, underdeveloped and war-racked land are dim indeed and, if anything, are growing dimmer."

El Salvador's Dim Prospects

BY THOMAS P. ANDERSON

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THE situation in El Salvador continues to defy all predictions. Late in 1984, many observers were hailing the two meetings between the government and the rebel commanders as a sign that the five-year-old civil war would at last come to a negotiated end. But the war is now almost six years old, and no end is in sight. Indeed, the rebels appear to have taken on new vigor.

Politically, President José Napoleón Duarte has been seen as a weak leader forced to deal with the parties of the right and an unfriendly military, but the stunning victory of his Christian Democratic party (PDC) in the legislative and mayoral elections of March, 1985, showed that he had considerable strength. Much good was expected to come of this victory. Yet he was apparently no better able to control the military or to bring peace than he had been when he faced a hostile legislature. Nor were peace talks resumed, as most observers had thought they would be. Thus each new turn of events produced unlooked for and often contradictory results.

Duarte took office on May 1, 1984, after defeating Roberto D'Aubuisson, the candidate of the extreme right-wing National Republican Alliance (ARENA), in a runoff election. But he inherited a Legislative Assembly in which the parties of the right, ARENA and the Party of National Conciliation (PCN), were dominant. Further, because the members of the Supreme Court had been picked by the Assembly, it was also a stronghold of reaction. Duarte, considered a political moderate, found his attempts to enact social reforms and revive the stalled land reform program frustrated at every turn. The legislature delighted in taking a bill with some of Duarte's program in it and inserting provisos that were sure to provoke a presidential veto.

For the elections held in March, 1985, a new electoral law was necessary. One provision of the law that was sent to the President stated that no relative (to the fourth degree) of the President could run for mayor. Alejandro Duarte, the son of the President, was at that time mayor of the capital city of San Salvador, and was planning to run again. The legislation was clearly aimed at him.

Duarte vetoed that section of the bill, and the right did not have sufficient votes to overturn the veto. Instead, they persisted in publishing the vetoed provision in the official gazette as a law. The whole matter was then tossed to the Supreme Court and, to give the court time to rule, the election was postponed from March 17 to March 31. The situation was defused, however, when Alejandro Duarte withdrew from the race in favor of the longtime PDC stalwart, Antonio Morales Erlich.

When the legislative and mayoral elections were finally held, the consensus at the United States embassy and in the press was that ARENA and the PCN would continue to dominate the Assembly. It was even rumored that this was the result desired by the United States, lest the right be alienated from a government dominated in two branches by the PDC. The low voter turnout of only 39 percent seemed a further indication that there had been no massive outpouring of support for Duarte and his party.

But as the votes were slowly counted it became clear that the Christian Democrats had scored a major victory. The PDC wound up with 33 seats in the 60-member Legislative Assembly, 7 more than their previous total, while ARENA won 13 and the PCN 12. The PDC also swept the municipal elections, winning the race for mayor in 200 of the 262 municipalities in the country, including the capital. Some 50 municipalities were in rebel hands and unable to participate.¹

These results were regarded not only as a personal triumph for Duarte, but as a personal defeat for Roberto D'Aubuisson. His image as a dangerous rightist and the possible leader of the group that assassinated Archbishop Oscar Arnulfo Romero in 1980 was regarded as the reason for ARENA's defeat. ARENA promptly split between the followers of D'Aubuisson and his rival, Hugo Barrera. At the end of September, 1985, D'Aubuisson resigned as head of ARENA, though he vowed to remain in politics.

The election, however, did not improve the relationship between the PDC and the military. The death of Colonel Domingo Monterrosa, whose helicopter was brought down by the rebels in January, eliminated the only senior officer who had close links to Duarte.² Al-

¹Central America Report, February 1, April 12, 1985.

²This Week Central America and Panama, January 28, 1985.

though Duarte shook up his Cabinet in June, 1985, General Eugenio Vides Casanova retained the ministry of defense, because this appointment was really in the hands of the senior commanders. The generally right-wing officer corps continued to regard Duarte with suspicion; thus no new negotiations with the rebels emerged after the election. The military had strenuously opposed the talks held in October and November, 1984, and was convinced that, with the increasing aid of the United States, it could win the war on the battlefield. Thus, despite the constant efforts of Archbishop Arturo Rivera y Damas to restart them, negotiations remained in limbo for most of the year.

Corruption was another problem. Colonel Julio César Yáñez, in charge of the war in Usulután department, was suspended after allegedly helping himself to United States aid funds, while Colonel Nicolás Carranza, the former deputy defense minister, was politely exiled to Spain as a military attaché after it was charged that he had accepted some \$90,000 from the United States Central Intelligence Agency (CIA) for informing on his own government.³ Corruption in the military is a way of life and government efforts to purge dishonest officers have been resented in the officer corps.

How out of control and irresponsible the army could be was shown during the wave of strikes that occurred around the capital in June. After a month-long sit-in strike at the social security hospital by administrative personnel, 500 fully armed soldiers moved in. They beat the nurses and doctors, who were not on strike, and forced everyone to lie on the floor for hours. One patient died of a heart attack because there was no one to attend her. Government troops also killed four government agents somehow mistaken for guerrillas.

THE REBEL FORCES

While Duarte seemed to have trouble controlling his military forces, the rebels suffered somewhat similar difficulties. The political arm of the rebellion, the Democratic Revolutionary Front (FDR) is headquartered in Mexico City, under the leadership of Guillermo Manuel Ungo, a moderate Socialist and head of the small National Revolutionary Movement (MNR). Ungo was Duarte's running mate in the 1972 presidential election. A number of important spokesmen for the FDR, like Rubén Ignacio Zamora Rivas, are in the Social Christian Movement, a group that broke off from the PDC in 1980. Thus, while the more radical guerrilla-oriented movements are also represented on the FDR diplomatic political commission, which makes policy for the front, the general tone of the FDR is one of moderation.

The fighting arm of the rebels is the Farabundo Martí Front of National Liberation (FMLN), in which neither the MNR nor the Social Christians are represented. The five FMLN groups are the Popular Revolutionary Army

(ERP), the Popular Liberation Forces (FPL), the Armed Forces of National Resistance (FARN), the Communist party of El Salvador (PCES) and the Central American Revolutionary Workers' party (PRTC). The last two are small and carry little weight on the general coordinating committee. Since the death by suicide of the charismatic Salvador Cayetano Carpio of the FPL in 1983, the dominant guerrilla leader has been Joaquín Villalobos. Still in his mid-30's, Villalobos heads the ERP, which is generally regarded as the most radical and doctrinaire guerrilla movement.

Although his fighting forces are insignificant, Shamil Handal of the PCES also carries considerable weight in the councils of the FMLN because of his close ties with the Soviet Union and the international Communist movement. Thus when the FMLN decided to hold a press conference in mid-July, 1985, at the guerrilla-haven village of Perquín, Villalobos and Handal spoke for the guerrilla movement. They are far less flexible on resolving the war by negotiation than the FDR; Villalobos has declared that the FMLN will never lay down its arms. And while the FDR high command publicly expressed regrets over the June, 1985, guerrilla massacre of 19 people, including four off-duty United States Marines, the Zona Rosa section of San Salvador, Villalobos declared for the FMLN that all North American military personnel in El Salvador were considered military targets.⁴

The lack of coordination between the political and military wings of the rebel movement was also evident in the kidnapping of President Duarte's daughter, Iratze Guadalupe Duarte Durán, on September 10, 1985. Her kidnappers claimed to be the Pedro Pablo Castillo Front of the PCES. Even the PCES had little control over this group, formed expressly to bring pressure on the government for the better treatment of political prisoners. When a high-level government delegation was dispatched to Mexico City to speak with the FDR about the incident and achieved no results, the FDR knowing that it could not effect the woman's freedom, at least not directly. In October, the FMLN released her in exchange for political prisoners and a promise not to kidnap the relatives of other government and military officials.

THE CIVIL WAR

Through the early months of 1984, the guerrillas continued to hold the upper hand in the war, holding some municipalities and such bastions of resistance as Guaymas and Volcans. They were able to launch offensives of between 500 and 600 men and to overrun an important military base, inflicting hundreds of casualties. Later in 1984, however, the FMLN forces seemed to diminish in vigor. The FMLN launched fewer offensives; and whereas they had previously made up their 10,000-man force through voluntary enlistments, they now began to follow the government policy of impressment, at least in some instances.

³Ibid., March 11, 1985; *Central America Report*, March 15, 1985.

⁴*This Week Central America and Panama*, July 15, 1985.

In 1985, the war had increasingly become a stalemate. Thanks to United States aid, the government has a large air fleet and enough transport helicopters to lift several hundred men at a time to the scene of any action. In addition, the army has become more adept at small unit tactics and is receiving better leadership from the United States-trained officer corps.

When the guerrillas did launch a series of attacks in December, 1984, the attacks were blunted by the government, which then launched its own drive in January, 1985, in an effort to retake a number of towns in Chalatenango department. Over 4,000 troops recovered 7 municipalities of the 26 held by the FMLN guerrillas in the province. The guerrillas subsequently adopted a new strategy; they refused to contest territory and moved out of the way of the government forces. Meanwhile, the government's occupying forces instituted economic and social programs in an effort to win "the hearts and minds" of the local population and set up weakly armed self-defense forces in the villages. After a three-day truce in early February, to allow time for a vaccination campaign among the rural population, the government launched a 12,000-man offensive into Morazán, the other major FMLN stronghold in the north. The results were promising that Defense Minister Vides Casanova promised that the FMLN would be shattered by the end of the year, a boast he was unable to fulfill. Government sweeps continued through the summer, though on a reduced scale and with less publicity, a possible sign that the government realized they were not that effective after all.

Vides's limited success, however, compelled the FMLN to institute new strategies. Unable to compete in terms of manpower or firepower, the guerrillas decided to avoid set-piece battles. Instead, they attempted to take local control by kidnapping or killing local officials and members of the self-defense forces. They also began to concentrate on sabotage, especially seeking to destroy the nation's electrical grid by downing power lines and blowing up installations and dams. To paralyze the transportation network, part or all of the highway system was periodically declared closed by the FMLN, which then ambushed anything that continued to move. To destroy the local infrastructure, the guerrillas burned 32 town halls between January and April, 26 in the month of March alone. Two local mayors were killed, and nine, most of them PDC members, were abducted by the FMLN. The civil defense forces were also targeted, and in one incident at Santa Cruz Loma, 20 villagers were killed by the rebel forces. Most were members of the local self-defense forces, but four children were also accidentally killed when their house was destroyed.

From 1982 to 1985, the capital city of San Salvador had been spared, although the rebel forces were only 40 kilometers away on Guazapa Volcano. The shops and restaurants were open and even a gaudy night life flourished.

¹*The New York Times*, May 20, 1985.

But some 500 FMLN guerrillas infiltrated the capital. In the urban campaign, the chief unit was the Mardoqueo Cruz command of the PRTC. The PRTC had been too small to contribute significantly to the rural campaign, but it found its niche in urban terrorism. Outside FMLN control was a small, left-wing terrorist group in San Salvador called the Clara Elizabeth Ramírez Front, which had been waging a lonely struggle in the capital for some time. Both these groups were very active in 1985.

It is very difficult to say who is winning the war. The government air strikes and massive firepower have killed thousands of civilians, raising the total death toll to over 60,000, but death and destruction have not significantly affected the morale or fighting potential of the FMLN. Similarly, the government sweeps through rebel-occupied territory have been largely barren of result because the FMLN has simply moved out of the way. And despite all the factors favoring the government, government troops still have not been able to take positions the rebels really wish to hold, such as Guazapa Volcano. On the other hand, government forces have at least partially blunted the ability of the rebels to achieve large-scale successes of the sort common through 1983.

The cliché of guerrilla warfare is that time is on the side of the guerrillas: the longer the war, the more likely they are to succeed. This may not be true in El Salvador. When FMLN leader Nidia Díaz was captured in May, she was carrying revealing documents about the movement. One indicated that Nicaragua had cut off all aid to the rebels in late 1983, and apparently this aid had not been renewed.⁵ Other documents revealed that training for FMLN personnel was continuing in Eastern bloc countries. But except for this training, it is probable that very little material support is coming from those sources.

Government troops killed and wounded probably total about 14,000 since hostilities began in earnest in March, 1980. Rebel casualties are probably half that, but the rebels can less well afford to lose personnel. Their recruiting pool is much smaller, and those who are most enthusiastic have probably been in arms since the beginning. A war of attrition, in which the government has the firm material support of the United States, may work to the disadvantage of the FMLN.

PROSPECTS FOR NEGOTIATIONS

The prospects for a negotiated end to the war remain dim no matter which side is really winning. Despite the efforts of the Roman Catholic Church, negotiations have not recommenced because there is almost nothing to negotiate. The demands of the two sides are irreconcil-

(Continued on page 36)

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"A major effort is under way [in Cuba] to restructure economic priorities, and long-term development goals take precedence over consumer and personal needs." The third party congress in February, 1986, "will be a major event, involving a thorough review of economic policies, the domestic situation, Cuba's role in the region, and Cuba's relations with the Soviet Union."

Political Developments in Cuba

BY JUAN DEL AGUILA

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IN the mid-1980's, Cuba is coming to grips with domestic economic difficulties and worrisome foreign policy commitments. Looking forward to the third congress of the Cuban Communist party (PCC), scheduled for February, 1986, the political leadership embarked in 1985 on a major reassessment of economic priorities and, in the process, made key changes in personnel among top economic policymakers. In addition, several ministers either lost their jobs or were reassigned, and key changes were made in the Communist party's Secretariat and Central Committee.

Raúl Castro, who is second secretary of the PCC as well as minister of the armed forces, is assuming a greater political role in terms of authority and visibility. Raúl Castro is officially designated to become the President if anything were to happen to his older brother, President Fidel Castro. Castro himself believes that he ought to stay in office as long as he is useful, and he is confident that "the opinion and the recognition of the people with respect to the role I've played and my efforts in the Revolution would be truly high if I were to quit tomorrow."¹ No one seriously expects that to happen, short of an accident or an unforeseen contingency.

There is widespread discontent in Latin America because of the area's economic difficulties and, specifically, its massive external debt of nearly \$400 billion. To capitalize on this unrest, Castro invited hundreds of delegates to Cuba for widely publicized conferences. In addition, he launched a major media campaign and granted lengthy interviews to United States, Mexican and Spanish journalists and broadcasters. His suggestion that Latin America should repudiate its debt and refuse to pay what it owes is simplistic and unconvincing, but it has tapped political frustrations in nations where sound economic management is indeed rare.

Cuba's involvement overseas is not being reduced, and its troops in Angola are confronting an increasingly difficult military situation. No longer viewed as armies of liberation but rather as a strategic necessity, these forces may be pressed into actual combat, because the Angolan regime cannot cope with the military challenge of the

South African-supported UNITA (National Union of the Total Independence of Angola) fighters. On the other hand, Cuba's military presence in Nicaragua has markedly expanded, and does not expose Cubans to the risks that they face in Angola or Ethiopia. In fact, Castro has declared that "only a few well-equipped units with combat capabilities remain in Ethiopia, as a symbol of solidarity"; no unilateral withdrawal is contemplated, and the troops "will remain there as long as the Ethiopian government deems it convenient."

Finally, relations with the United States are fluid, marked by flashes of tension and vituperation. From Washington's standpoint, Havana's association with Marxist-Leninist rebels in El Salvador and its close relationship with the Sandinista regime in Nicaragua prevent any improvement in its relations with the United States. But the Cuban government believes that its right to associate with fellow revolutionaries is not subject to negotiation and is a matter of revolutionary obligation. Improvement in relations with the United States "is not a vital question" for Cuba and, from an economic standpoint, "it is not essential for us."² Both governments are comfortable with an adversarial relationship, and are unwilling to assume the risks of accommodation.

THE DOMESTIC SITUATION

A major reassessment of Cuba's economic priorities is under way, stemming from meetings among top policymakers in November, 1984. At that time, persistent flaws in the planning system were identified, and the poor performance of economic sectors like transportation was criticized. The 1984 goal of producing 8.9 million tons of sugar was not met, since production reached only 6 million tons; nor were production goals met for citrus fruits and nickel. Sugar, citrus and nickel are Cuba's principal exports, and nickel is considered a strategic commodity needed by the Soviet Union and other socialist countries. Not meeting the goals for the country's principal exports is a major embarrassment for the government, and affects Cuba's commercial relations with its partners in the Council for Mutual Economic Assistance (COMECON). In 1985, the production goal of 8 million tons of sugar was met.

Castro announced that in order to ease economic di-

¹Jeffrey Elliot and Mervyn M. Dymally, "Playboy Interview: Fidel Castro," *Playboy*, August, 1985, p. 183.

²*Granma*, February 11, 1985, p. 4.

ties, selfish, individualistic attitudes must give way to general good, and national interests must take priority over the interests of sectors or even local government. Plans are encouraged to fight "the economic war of all people" and to forgo consumption in order to expand pool for savings and investment. In his report to the National Assembly, Castro criticized the "sectoral attitude that prevailed in the ministries and agencies," and "wars that were fought among agencies" for available resources. Individual preferences are discouraged, as are forms of subjectivism, namely, putting one's objectives ahead of what central planners determine is needed by the nation. Castro forcefully declared that "personal preferences have ended. No one has a favorite project any more. All subjectivisms have ended, no matter what they are."³

The economy grew at a 7.4 percent rate in 1984, and at an average of 4.8 percent during the first few months of 1985; the government believes that these rates are acceptable when compared favorably with growth rates in other Latin American countries. Still, the emphasis is on savings, on efficiency, and on the subordination of private interests to general concerns. The material base is regarded as adequate, but it is believed that much greater efforts are needed for long-term economic development. One must not think of new increments over what is available, either in personal or social terms"; austerity will prevail in the foreseeable future. Finally, Castro recognized that the mentality of consumption, of not saving, more concerned with imports than exports" was harmful and was discouraged by outdated ways of thinking about economic development; hereafter, very strict criteria will govern what is imported, produced and consumed if these are to be preserved.

Inadequate levels of foreign exchange affect Cuba's commerce with capitalist countries, which runs at an average of 15 percent of total foreign trade. Efforts are under way to expand trade with the advanced Western countries to the 17 to 18 percent range, but only after commitments to the socialist bloc have been met. Sugar sales on the European and Japanese markets bring in about \$250 million in hard currency per year, but are subject to fluctuations in the price of sugar. Exports of fish and tourism generate an additional \$200 million, but traditional products like cigars are no longer a major source of foreign exchange.⁴ Cuba often runs a trade deficit with capitalist countries like West Germany, from which it imports chemicals, pharmaceuticals and various types of equipment. Between 1980 and 1984, Cuba's trade deficit totaled \$182 million.

Cuba owes between \$3 billion and \$3.5 billion to capitalist countries, and successfully rescheduled part of that debt in 1983; still, the government found that it could not meet its obligations in 1985 and sought another reprieve.

Granma Resumen Semanal, January 13, 1985, p. 9.

The Manchester Guardian Weekly, February 10, 1985, p. 14.

Granma Resumen Semanal, August 18, 1985, pp. 2-3.

During the year, Cuba was able to reschedule some \$90 million in medium-term obligations, extending the pay period for 10 years. In addition, it had already postponed payments until 1991 on its \$8-billion to \$10-billion debt to the Soviet Union, because it was clear that payments on this debt due in 1986 could not be met. The Soviet Union is Cuba's principal trading partner, and both countries signed still another protocol to cover trade in 1985 valued at \$11.5 billion (8.2 billion rubles). The coordination of economic plans between the two nations for the 1986-1990 period is going forward and is in line with previous discussions. Parallel discussions are also taking place between Cuba and Bulgaria, and emphasis is being placed on machine manufactures. All told, Cuba's inability to pay its capitalist creditors in time mirrors the experience of many developing countries, and deferring payments on its interest-free debt to the Soviet Union is certainly advantageous.

DEBT REPUDIATION

On the other hand, Castro rallied many to his cause when he urged that Latin America repudiate its debt to Western financial institutions, on the grounds that to pay back what it owes would lead to economic ruin. In fact, Castro proposed that debtor nations institute a moratorium on debt payments, in order to force Western banks and governments to recognize the size of the problem for Latin America. At the Meeting on the External Debt of Latin America and the Caribbean held in Havana, Castro averred that "we must conquer our liberty and not subsidize our oppressors," pointing out that Cuba has chosen to politicize the issue because others have failed to take the lead. At this and other meetings and in several interviews, Castro called for the unity of Latin America, pointing out that if the debt problem and other pressing economic difficulties were not solved, the area would face social upheaval. Finally, Castro called for a 10 to 12 percent reduction in military spending by the major capitalist and socialist countries to free funds for solving economic problems.⁵

In politicizing an explosive issue that involves more than purely technical questions, Castro is making a new bid for continental leadership; at the same time he is placing pressure on governments to adopt a more confrontational posture toward the United States and other Western nations. Sensing the area's frustrations and knowing that economic nationalism is a potent force, Castro is trying to drive a political wedge between debtors and creditors in order to force changes in the management of international economic relationships. So far, no government in Latin America has heeded his counsel, especially in view of the fact that Cuba has not repudiated its own debt, and continues to negotiate and reschedule. Some governments may view Castro's solutions as simplistic and contrary to their own national interest. Castro's views may be accepted by the radical left and by those who choose to believe that Latin America is system-

atically victimized and exploited by imperialist interests. But informed technocrats and serious policymakers see little value in precipitating a major financial crisis.

Government efforts to solve serious social problems in several areas have not been successful. Women are still discriminated against and have yet to achieve meaningful political representation in national institutions. Women make up 37 percent of the labor force, hold professional positions, and work in fields like public health, various types of industry, and higher education. Still, in some jobs women are not promoted as regularly as men, and physical and sexual characteristics come into play in some cases when employment is sought. Speaking to the fourth congress of the Federation of Cuban Women (FMC), Castro acknowledged that the struggle against "subjective factors" like *machismo* has a long way to go and that the causes of discrimination against women have not been eliminated. Conventional prejudices among men and women and the fact that the participation of women in leadership positions is resisted may explain why women make up only 11 percent of the delegates to the Organs of Popular Power. Vilma Espín, Raúl Castro's wife, has been the FMC's only president, and very few women are members of the Communist party's Central Committee. No woman belongs to the Political Bureau, and all key ministries are headed by males.

Antisocial conduct among adolescents persists in the face of intensive efforts to eradicate what are deemed to be harmful and deviationist attitudes. Poor performance in school, as well as absenteeism and resentment toward authority, often stem from unstable family life and what Castro describes as "poor revolutionary integration." For a society that takes pride in its ability to promote new social values and socialist mores, this problem is worrisome.

In summary, a major effort is under way to restructure economic priorities, and long-term development goals take precedence over consumer and personal needs. Belt-tightening is essential if moderate growth rates are to be sustained, because the calculated largess of the socialist community is reaching its limits and because the failure to diversify exports adversely affects Cuba's ability to generate much-needed hard currency. Limited experimentation with neocapitalist practices like the parallel markets or the new law that allows for home ownership and rent suggests that the regime sees merit in private economic activity while circumscribing its scope.

NATIONAL POLITICS

Dissatisfaction with the economy's performance led to the dismissal in 1985 of the government's top economic policymaker, Humberto Pérez, who for several years headed the Central Planning Office (JUCEPLAN). Pérez was also dismissed from one of the vice presidencies of the Council of Ministers and will probably lose his status as an alternate member of the Communist party's

Political Bureau. Pérez was trained in the Soviet Union and was an advocate of rational economic management; he was not an economic ideologue. No reason was given for his dismissal, but his ouster could only be effected by top-level political decision, probably involving Castro himself. Formally, José López replaces Pérez, but the economic czar is an old Castroite, Osmany Cienfuegos. Cienfuegos has had little if any experience in economic affairs, but he is now in charge of the Central Group in de facto control of the economy.⁶

Pérez's dismissal is part of a wider process of reshaping the party and the state bureaucracy that is being designed further to centralize decision-making at the top. Antonio Pérez Herrero, a member of the Secretariat of the Political Bureau, was moved from his posts, but is still a member of the Central Committee. "Deficiencies and errors in the discharge of his work" led to his dismissal; his responsibilities were in the ideological and cultural spheres.

Changes also took place in the Ministry of Transportation and in the party bureaucracy. Finally, in what is clearly an effort to improve relations with the church, particularly the Catholic Church, an Office of Religious Affairs was created. Its director, José F. Carneado, will oversee relations between the government and churches; such work is increasingly important because of the political role of churches. In 1986, a national meeting will be held to chart the Catholic Church's future (Church leaders have complained about the absence of religious freedoms). For political reasons, Castro encourages the "dialogue" between Christians and Marxists, and the government is not unaware of the radicalization that has taken place inside Latin American Catholic churches. There are contacts between the government and United States churches, and occasionally there are meaningful exchanges; for instance, because of the intercession of churches, 75 political prisoners will be released and allowed to come to the United States. In a nutshell, uneasy and often bitter relations between organized religion (especially Catholicism) and the Communist regime are in flux, to the extent that Castro has expressed willingness to meet with Pope John Paul II.

Widespread military and paramilitary exercises are evident, part of a campaign intended to strengthen national defense. The Territorial Troops Militia (MTT) now numbers 1.3 million and is equipped with weapons and fieldpieces. The MTT would provide support for the Revolutionary Armed Forces (FAR) in case of war or invasion, but there is reason to doubt the effectiveness of the militia if it were involved in fighting. A gradual reallocation of resources into the military sector is evident, and nearly 13 percent of the government's budget goes for defense and internal order. The FAR itself is a deterrent against potential aggressors, and is one of the regime's mainstays. One analyst notes that

buttressed by 950 tanks, 700 artillery pieces, and a large fleet of combat aircraft, the FAR has... become the largest

⁶*Caribbean Report*, August 23, 1985, p. 2.

most formidable military force in the [Caribbean] Basin save for mainland U.S. forces.⁷

Distinctions among the professional military, the MTT and the masses are slowly disappearing because the leadership articulates the view that everyone must be involved in national defense, developing the concept of a "popular" army. In addition, fortifications have been built across the island, and the country is divided into 14 defense zones, creating a new political infrastructure to be activated if a major conflict erupts. Each zone is under the command of the most senior Communist party official, who reports directly to the top political leadership.⁸ A new concept of warfare—"the war of all the people"—involves mobilization, readiness and, in some cases, extensive training and preparation for a war of attrition should the country be invaded. Castro holds that Cuba is nearly invulnerable to subjugation by military force and promises that if the country were attacked, everyone would fight to the last.

Needless to say, episodic states of high tension are more often than not the result of imagination rather than any objective threat; they affect social stability, cut into productive work, and otherwise divert the citizenry from the normal pace of life. Resources that could be utilized to develop the country are wasted in meaningless military activities; one also suspects the discipline and military disposition of Cuba's citizen-soldiers. Simply put, the regime breeds fatigue and inefficiency by its incessant appeals to go to the barricades, and can only blame itself if enthusiasm often wanes.

Preparations continue for the third congress of the Cuban Communist party, scheduled for February, 1986. Work for the congress is behind schedule, and this partly explains the postponement from December, 1985. This will be a major event, involving a thorough review of economic policies, the domestic situation, Cuba's role in the region, and Cuba's relations with the Soviet Union. Changes in the top political leadership may also take place, because of vacancies in the Political Bureau and shifts in the makeup of the Secretariat. A new Central Committee will be elected, though it is difficult to determine in advance how the balance of power among the principal factions, namely, the military, the party, the administrative technocracy and/or the state bureaucracy, will be affected. In the past, expansion of the top party organs has facilitated the entry of younger, promising individuals into leadership positions. Expansion (not to be confused with rotation or succession) may address many of the political needs of regime maintenance,

though at the cost of making these organizations more unwieldy.⁹

In summary, changes at the top of agencies charged with planning and management responsibilities and the creation of a Central Economic Group suggest further centralization and Castro's renewed involvement in economic decision making. The failure to fill vacancies in the Political Bureau and the rotation evident among provincial party secretaries also indicate that crucial decisions on leadership are affected by an individual's performance, as well as by his ties and loyalties to one of the Castro brothers. Debate at the third congress will focus on what direction to follow in economic affairs and how to structure changes in the ruling elites.

FOREIGN AND REGIONAL POLICIES

Cuba is no longer moving aggressively to expand its influence and military presence in the third world. Its overseas involvements are costly, and its allies suffer from many difficulties. Associated with a besieged regime in Angola, Cuba, supported by Soviet weaponry, has followed a moderately active military presence in an ongoing civil war that is not going well for Luanda's Marxist government. In fact, Cuba has increased the size of its forces to about 30,000, partly because the internal threat from UNITA is serious and because of the poor performance of the Angolan military.¹⁰ Cuban troops have suffered casualties in Angola and are no longer committed to defensive warfare; if the war expands and UNITA gains control over more territory, pressure will intensify on Cuba for a more direct combat role. In Angola, Cuba is more and more in a no-win situation, which could affect the unity of the FAR itself and create other domestic difficulties. The regime carefully controls information about the situation in Angola and proclaims its internationalist duty to support Angola against "imperialist enemies," but it cannot extricate itself from the conflict without incurring severe political and strategic costs.

A political settlement cannot be fashioned without an accepted timetable for the withdrawal of Cuban troops; but as long as the fighting escalates, the need for those troops intensifies. Like other anti-Communist insurgent groups, UNITA receives assistance from friendly governments and private groups and is thus able to sustain the fight and perhaps gain wider political recognition. No longer perceived as conquering heroes, Cuban troops in Angola (and to a lesser extent in Ethiopia) cannot fulfill Castro's dreams of conquest; their plight is only one consequence of a historic miscalculation.

More difficult choices are evident in Central America, because Cuba's commitments to Nicaragua's Sandinista

(Continued on page 36)

⁷Edward Gonzalez, "The Cuban and Soviet Challenge in the Caribbean Basin," *Orbis*, vol. 29, no. 1 (Spring, 1985), p. 90.

⁸*Caribbean Report*, August 24, 1984, p. 2.

⁹Jorge I. Domínguez, *Succession in Cuba: Institutional Strengths and Weaknesses* (Coral Gables: University of Miami, Institute of Interamerican Studies, 1985), p. 32.

¹⁰*The Miami Herald*, August 25, 1985, p. 11A; *Washington Post*, October 9, 1985, pp. A1, A22.

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"The United States tendency to see Mexican insistence on its modified one-party system as an anachronism contrasts uncomfortably with the Mexican regime's apparent belief that steering Mexico through economic changes and even political flux requires close adherence to tradition and secure control."

Mexico: Challenges and Responses

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ALTHOUGH Mexicanists have too often deemed Mexico's political system in crisis and underestimated its enormous capacity for adaptation, the record shows more than a half-century of regime continuity, unparalleled in Latin America. Yet the regime faces a more acute challenge, at least in the economic arena. In turn, attempts to manage the economic crisis through austerity present further challenges to a political system already involved in an indeterminate and sensitive evolution.

How has the Mexican regime responded to the challenges posed by the economic crisis and by the 1985 elections? To what degree has President Miguel de la Madrid engineered continuity and change? De la Madrid assumed the leadership of Mexico's presidentially centered system amid the depths of economic crisis in 1982. His ascension generated high expectations, because of his background (including economics experience and a master's degree in public administration from Harvard University), the serious tone he set, the upbeat feeling generated by the departure of discredited President José López Portillo (1976–1982), and the general sense of renewal associated with Mexico's regular (sexennial) and massive transfer of power. Early indicators buoyed hopes. The economy rebounded, and de la Madrid displayed leadership skills that contrasted with Mexico's erratic and even demagogic experiences under both López Portillo and Luis Echeverría (1970–1976). Both had been vilified immediately on leaving office and López Portillo, while in office, had been attacked in direct ways long considered illegitimate in Mexican politics. The stature of the presidency itself, so important to Mexican stability, seemed jeopardized.

Moreover, in the aftermath of López Portillo's excessive self-aggrandizement, de la Madrid appeared more serious than any recent predecessor about attacking corruption and the unresponsiveness of Mexico's public bureaucracy. His "moral renovation" campaign brought

some reforms and the prosecution of a few notorious figures from both labor unions and the government. Before long, however, even optimistic observers could see that reform would be limited by severe obstacles (including certain powerful figures and groups like the oil workers, deeply ingrained practices that benefit the regime, and the decreasing ability to pay adequate wages to bureaucrats). More important, the economic outlook suddenly worsened in early 1985. Thus, in the second half of its term, the de la Madrid administration may face the added challenge of frustrated expectations.

The right has shown some signs of renewal. In addition to its electoral surge, business sectors have been increasingly politicized, particularly in the aftermath of the populism practiced by the two previous administrations culminating in the 1982 expropriation of private banks. Rising middle-class alienation and changing patterns of political socialization, highlighted by the growing importance of private universities, graduate education abroad, and privately owned television, contribute to the right's growing strength. Above all, technocrats are gaining influence at the expense of more traditionally trained politicians.¹

Some stirrings associated with the left also warrant the regime's attention. Alienation has been especially notable among intellectuals since the violent and infamous 1968 repression of university students and has been exacerbated by perceptions of technocratic penetration as the regime shifts to the right. The independent labor movement has gained strength, and increased tensions have characterized the regime's relations even with the mainline union. On the other hand, while the renewed stirrings of both the left and the right have injected potential significant and unpredictable forces into the political picture, they have not yet come close to translating into a serious organizational alternative. Similarly, the militia remains securely at the service of the regime, but merits a kind of monitoring that would have been superfluous until recently.

THE ECONOMIC CHALLENGE

The de la Madrid administration has apparently re

¹Roderic A. Camp, "The Political Technocrat in Mexico and the Survival of the Political System," *Latin American Research Review*, vol. 20, no. 1 (1985).

gnized that the economic crisis is its principal political problem. In response, it has initiated economic policies that represent a significant degree of change. Excessive protectionist measures in effect for years have given way to freer trade. Foreign companies are negotiating more flexible terms for entry into (or expansion within) the Mexican market; and Mexico has been bending its traditional insistence on majority ownership by domestic interests, with IBM (International Business Machines) the latest example. At the same time, Mexico has been trying to diversify substantially its economic relations with industrial countries other than the United States and is playing a more assertive role in world oil markets.² Mexico has also followed an aggressive foreign exchange policy, while fulfilling its enormous international payment obligations.

Within Mexico, similarly striking measures have been taken. The regime started selling several publicly owned enterprises that represented onerous expenses and that, instead, became revenue sources. In 1985, the federal budget was cut significantly on three occasions. Roughly 10,000 government workers were laid off and an additional 80,000 positions that were vacated in 1983 and 1984 will not be refilled. (The September, 1985, earthquake could place further major strains on the budget.)

Overall, the degree of policy change is suggested by the hesitation and debate in the economic ministries of the cabinet. One example came with the April, 1985, decision to sign the kind of trade agreement with the United States that the latter has desired for years. Not only the Ministry of Foreign Relations but even generally conservative ministries (e.g., Finance) expressed opposition, yet the Department of Commerce had the President's decisive approval.

On the basis of such developments, some observers predict further economic policy change, including, despite previous resistance, Mexico's entry into GATT (the General Agreement on Tariffs and Trade). They also assume that Mexico will maintain its distance from OPEC (the Organization of Petroleum Exporting Countries); that an opening economy will allow consumers to buy better products at lower prices; and that domestic business will respond favorably to new incentives and resources by increasing its productivity and reducing Mexico's overdependence on oil exports.

The optimism has a basis in concrete results. Comparisons between 1982–1983 and 1984 through the beginning of 1985 are notable. During 1982 and 1983, private investment fell by approximately 17 percent and 22 percent, respectively, because of poor economic conditions and prospects and, perhaps, a business strategy of withhold-

ing money as a bargaining chip with the new administration. Business probably tried to redefine "the rules of the game" in the aftermath of the bank expropriation.³ An indicator of change is that private investment rose almost 9 percent in 1984. Additionally, 1984 private-sector imports (about \$6.5 billion) represented a 52 percent increase over 1983 levels. Together, higher investments and imports contributed to an economic growth rate of 3.5 percent in 1984; this followed two years that had seen the first negative rates in three decades. Concomitantly, Mexico registered a \$12.2-billion surplus in its 1984 trade account, with nonoil exports growing at 18 percent over the previous year. Mexico's debt was restructured, and it decreased as a share of the gross domestic product. Regarding inflation, the annual rate of over 100 percent in early 1983 fell to about 55 percent in mid-1985. Compared to what was happening in much of Latin America, such indicators showed enviable progress, despite an unfavorable international market for oil producers.

Not surprisingly, however, there has been a bleaker side to the economic picture. Austerity and rationalization have meant tremendous hardship, certainly for the poor and middle classes. Real wages have fallen over 30 percent since de la Madrid came to power. One can even see an important thread of continuity in economic policy in the emphasis on growth and international credibility, with harsh social consequences, however tragic, regarded as acceptable. Naturally, much of the left criticizes not just the results but the basic orientation of the policy; the selling of public enterprises is one example.

Perhaps less obviously, many businesses have expressed strong reservations, considering the changes to be too little, too late. In fact, the regime has not been able to strengthen its political credibility as much as it had hoped, but credibility is necessary for the success of even technically appropriate policy. Ironically, at times credibility has apparently been higher outside than inside Mexico. While it could be argued that foreign bankers have not had options other than supporting Mexico, it is also true that they have been willing to restructure Mexico's nearly \$100-billion foreign debt. By contrast, many Mexican entrepreneurs are still reluctant to invest, often holding their money abroad. As a partial consequence, the regime may be opening the economy to foreign business.

For whatever reasons, the economic news by mid-1985 was alarming. Despite the budget reductions, the 56 percent inflation figure (based on January–August) approached the 1984 figure and, by July, the public deficit passed the figure targeted for all of 1985.⁴ The current account, showing big surpluses in 1983 and 1984, fell to a minimal surplus, while international reserves fell from \$6 billion to \$3 billion between December, 1984, and July, 1985, largely because of increased capital flight. Then, on September 19, the IMF (International Monetary Fund) declared that Mexico, having failed to meet certain austerity targets, was not qualified for a pending \$950-

²Gabriel Székely, "México y el petróleo, 1981–1985: Crónica de amargas lecciones," *La Jornada*, September 1, 1985.

³Figures in this paragraph are from official reports of the Banco de México.

⁴Data on 1985 from Wharton Econometric Forecasting Associates, *Latin American Economic Indicators*, vol. 3, no. 9 (1985).

million loan. IMF authorities changed their tough posture soon after learning of the earthquake which, by savage coincidence, struck Mexico that very day. Foreign bankers also extended 1985 repayment deadlines until March, 1986.

THE ELECTORAL CHALLENGE

Rarely in recent decades have nonpresidential elections in Mexico generated as much interest as those held in July, 1985. Particularly striking was the United States interest, as reflected in American press coverage. Some saw a key midterm test for the de la Madrid administration. How would a beleaguered public rate the President's handling of economic and other challenges? How strong was the regime in light of the economic crisis? Foreign expectations may have been heightened by the reemergence of electoral politics in nations like Argentina, Brazil, Peru and Uruguay—as well as by the closely watched and controversial elections in El Salvador and Nicaragua. Could Mexico afford to look less democratic?

Expectations were additionally raised by the major opposition party's increasing strength in recent elections. In terms of seats gained, the PAN (National Action party) has been the chief beneficiary of the 1977 reform, which set aside 100 of 400 Chamber of Deputy seats for opposition parties that obtain at least 1.5 percent of the national vote and gain fewer than 60 seats under the simple majority method (by district) used for the other 300 seats. The reform itself had been launched partly as a response to the apathy and abstentionism plaguing the regime in the 1970's, and partly as a way to bolster the left as a counterweight to the right, thereby portraying the PRI as a responsible middle. Once initiated, however, the reform had to be managed carefully. In any case, in the 1982 congressional elections the PAN had gained 50 of the 100 seats, capturing over 17 percent of the national vote. The PAN did well in the north, and its successes were repeated in 1983, in local elections in large northern cities, highlighted by victories in several state capitals.

In 1985, the major northern states of Nuevo León and Sonora were among the seven states with governorship openings. These two races overshadowed the national voting for the Chamber; many believed that the PRI could be beaten for those governorships and that it might for the first time honor the results of a gubernatorial loss (setting the stage for further contests in 1986, when 14 governorships would be at stake).

Political legitimacy was on the line not only because of

⁵Data from the electoral college reported in *Excelsior*, July 17, July 22, and August 30, 1985. Among other leftist parties the vote and seat shares were: Mexico's Unified Socialist party and Socialist Workers party, 3.5 percent and 12 seats each; Populist Socialist party, 2.6 percent and 11 seats; Mexican Workers party and Revolutionary Workers party, 1.7 percent and 6 seats each. The rightist Democratic Mexican party received 3 percent and 12 seats, while the obscure Authentic party of the Mexican Revolution was awarded 2.4 percent and 11 seats (including 2 district wins).

international attention but because de la Madrid had tied his word—that he would honor the results—to his overall campaign for honest responsibility in government and trust in the presidency. He had also allowed at least some opposition victories in 1983 and, more broadly, had respected considerable freedom of speech, the press, and dissent, accepting criticism with dignity. Therefore, some critics saw in the 1985 elections a major blossoming of political reforms already in progress. But more sober observers were reserved in their expectations.

In fact, the PRI took all seven governorships and did not concede that even the major contests were close. Instead, it continued to give way a little more in the Chamber. Compared to 1982, the PRI vote dropped slightly, to 64.7 percent, and it surrendered 11 rather than just 1 of the 300 district-based seats.⁵ But the fracturing of the opposition is striking. The PAN saw its vote fall slightly, to 16.7 percent, while its proportional representation fell from 50 to 32, more than offsetting its increase from 1 to 9 in district wins. The left increased its vote a few percentage points, to 13 percent, reflecting either new strength or some manipulated balancing of right and left, yet no single leftist party won more than 3.1 percent, i.e., 12 seats. It is difficult to gauge how the PRI may have been hurt by its questionably grand victory margins and by the fact that 49.5 percent of the more than 35 million registered voters still abstained.

FRAUD AND PROTEST

Thus, the results represented basic continuities in the regime's response to electoral challenges. Fraud was evident in missing ballot boxes, duplication of names, last minute disqualification of opposition poll watchers, and so forth. And if the PRI cheated as usual, the PAN protested as usual. The protests involved some violence and repression but probably not to an unusual degree. Indeed, for the most part the PAN accepted the rules of the game. Notably, leftist parties backed the PAN in some of its claims, but all electoral college representatives avoided the extreme protest of declining seats in the Chamber.

Why did Mexico not go further to break traditional electoral patterns? First, as in the corruption issue, even a genuine disposition for change cannot easily brush aside deep-seated structural factors that perpetuate certain practices. Whatever the President's declarations, many government and PRI bureaucrats did not believe that Mexico should open the political process, at least not while dealing with the dangers of economic crisis and social austerity. Many national and local party leaders feared for their careers if they lost to the opposition. The minister of *Gobernación* (Interior)—traditionally a presidential aspirant—would not want to preside over an unprecedented PRI defeat.

In fact, notwithstanding the PAN's gains in the last few years, one can also find evidence of the regime's unwillingness to strengthen the reform very much. For exam-

le, the PRI took 106 of 118 municipal positions and 139 of 146 state legislative seats in the 1983 elections, results that were hard to accept at face value. The governorships of Nuevo León and Sonora would be bigger prizes. Although some believed that Mexican "federalism" would render an opposition governorship impotent, there was the danger that a governorship could bolster otherwise more isolated PAN municipalities. Of course, strong and specific directives from the President could not have been easily ignored, but these were not forthcoming.

Most important, elections have not been the "test" many attributed to them. They have provided a test of the regime's priority on democratization, or its handling of the tradeoffs between independent political participation and its own control. But Mexico's elections are not fundamental tests of popular opinion or citizen reaction to the President's handling of economic challenges. Crucially, the regime and its official party continue to regard power-sharing with other parties as a foreign model, alien to the bases of Mexico's enviable stability.

Furthermore, the 1985 elections reflect significant elements of continuity in the broader political arena, where there is still a shortage of political information necessary for democracy and a weak organized opposition on both the right and the left.

First of all, the public never knows whether the reported vote count is accurate. Beyond that, most of the public has been shielded from the electoral process by the national media's inattention; typically, Mexico City's residents know more about events outside Mexico than about events in Nuevo León or Sonora. The PRI's campaign hardly provided specifics on the basis of which people could evaluate its performance in office. Nor was information available on such aspects of the campaign as the extent or source of PRI funds (tied to the government). Just as typically, however, the PAN did no better. It denounced the PRI as a long-standing failure and called for change. It blamed the PRI for corruption and economic difficulties but it did not tell citizens what alternative it offered.

The 1985 elections also confirmed the lack of a viable alternative to the more or less centrist PRI rule. Most speculation about a rising alternative has focused on the right. But however many votes it garners, the PAN still lacks the leverage to obtain major government positions.⁶ Moreover, it is unable to articulate its positions so that it can capitalize on discontent. In too many instances, it has not managed even to select attractive candidates. Crucially, it has not been able to galvanize and organize what remains an unintegrated right. Further, the right continues to lack an intellectual base comparable to the left's to articulate its positions.

Increasingly, PRI-PAN campaigns are struggles between two elites offering few specific policy contrasts. Moreover, business (itself divided on many issues) con-

tinues to gain more from working with the PRI than the PAN. Similarly, the relevant choice for the rising crop of technocrats is usually the PRI or no party affiliation. Finally, whatever its own rightist tendencies and growing influence, privately owned television has hardly boosted an organizational alternative on the right.

Of the left it might simply be said that less was expected and less was achieved. Like the right, the left is internally split but, much more than the right, it remains (as it has been for decades) electorally split. The 1981 creation of the PSUM (Mexico's Unified Socialist party) aimed at increased strength through unity. But, as reflected in recent elections, the PSUM has not been able to create a mass following to the PRI's left; thus the PRI remains in the rather comfortable position of defending Mexico's "revolutionary heritage" from the principal threat on the right. Additionally, renewed fracturing occurred in early 1985, because a new PSUM-led front was not inclusive. In most districts, the left could not agree on a coalition candidate.

Still, the division of a small pie is less noteworthy than the size of the pie itself; the left has been unable to attract a mass backing despite Mexico's economic calamities and the regime's painful responses to them. Clearly the problem lies not just with the electoral left but with the left's overall weakness in Mexican politics. Illustratively, media on the left continue to attract only a very small—and privileged—audience. And even as organized labor suffers and distances itself more than usual from the regime's policies, it finds itself in disarray. No organizational force outside official channels has been able to build a strong base among those suffering most: the unemployed, the nonunionized workers and the peasantry.

All these important political continuities, of course, do not suggest the absence of change. The recognized electoral strength of the PAN, and the representation of both right and left in the Chamber, could not have been assumed just a few years ago. Furthermore, stimulated by such challenges, the PRI has responded with a degree of internal reform. For example, it selected vigorous candidates, with good credentials among technocrats, for the two key governorships in 1985. Although its Sonoran candidate emerged from a familiar political career in Mexico City, his counterpart in Nuevo León had actually built a local career. In 1984 and 1985, the PRI even experimented with primary-like procedures to open up the participatory process.

Nevertheless, the PRI did not move far toward democratization. Most candidates were chosen in traditional, restrictive fashion. The PRI has "modernized" in ways that have favored party centralization at the expense of its mass-based labor and peasant constituencies. And the party's twelfth national assembly (1984) frustrated those hoping for reforms aimed at making the PRI less a mouthpiece for the regime and more a representative of its constituency; instead, the assembly merely issued the PRI's familiar platitudes.

⁶See Soledad Loaeza, "La construcción de la burbuja," *La Jirafilla*, August 4, 1985.

In its efforts to respond to economic and political challenges, Mexico has felt undermined by the United States, particularly by some officials of the Reagan White House and the National Security Council. Mexico believes that these officials either grossly underestimate the severity of the problems Mexico confronts or gauge Mexican progress by United States standards. It believes that they are tragically uninformed about the infeasibility of alternative Mexican responses. Indeed, Mexican observers do not see how the de la Madrid administration could have responded to its economic challenges in ways more favorable to United States interests, given the basic assumption that Mexican stability is a high-priority interest. Although probably few Mexicans perceive a deliberate United States attempt to destabilize the de la Madrid regime, many are more receptive than usual to that kind of interpretation.

Tensions generated by United States reactions to Mexico's economic and electoral policies are especially important because they are indicative of similar tensions over other Mexican-United States concerns. Among these are prospects for some version of the immigration bill almost passed by the United States Congress in 1984, which could hamper Mexico's "safety valve" just as Mexico faces acute employment problems. Another example involves United States reactions to the 1985 murder in Mexico of a United States drug agent, including charges of Mexican corruption and car-by-car searches at the border (threatening to slow commerce and tourism, which Mexico so desperately needs). But perhaps nowhere are bilateral tensions more poignant than in Central American policy. Again, Mexicans believe that some United States officials underestimate the dangers Mexico faces and blithely overlook the dire consequences that could flow from alternative policies.

Mexicans clearly resent any American inference that Mexico's Central American policy is guided by an affinity for leftism or by a need to needle the United States. In fact, Mexican leaders are guided above all by considerations of Mexican stability. Given its geography, Mexico has more to lose from an aggravation or prolongation of Central American conflict than any other non-Central American nation. The presence of hundreds of thousands of refugees threatens to drain Mexico's already limited resources. Government aid sometimes alienates Mexico's own poor, while government inattention brings criticism from the left and from international organizations. The refugee problem has added a volatile element to Mexico's generally tense relations with Guatemala. And exacerbated regional volatility could expand the role of Mexico's military. Furthermore, there are some signs of left-right polarization within Mexico—even within the regime itself—over the refugees and other aspects of the Central American threat. On top of all this, intensified Central American conflict could lead to one or another alternative that would very seriously undermine Mexican-United States relations.

Those in the United States who do not appreciate the dangers, Mexico argues, are mistaken in their belief that Mexico could take a more pro-United States position. Continued United States carping is especially irksome, in view of the fact that de la Madrid has already moved away from the more provocative aspects of his predecessor's policies. He has moderated and placed conditions on support for the Sandinistas, restored full diplomatic status with El Salvador, and transferred refugee camps away from the Guatemalan border (thereby pleasing the Guatemalan government and infuriating elements of the Central American and even Mexican left). Such measures are not reversals of basic regime orientations as much as tactical adjustments to change within Central America and in the Mexican economy, but they provide further evidence that Mexico's prime interest is its own stability and that it seeks not leftism but respectful working relations with all neighboring powers.

Crucially, the de la Madrid administration believes that the administration of President Ronald Reagan should not let its differences over Central American policy harm Mexican-United States relations and that—judged on their own terms—Mexican responses to economic and electoral challenges ought to bring more United States support than they have. Thus, Mexico is irritated by the mixed United States response to de la Madrid's handling of the economic crisis. Has he not, a political risk, done much of what one would expect, given a United States definition of the problem? In return, however, Mexico sees the United States pursuing detrimental economic policies that the United States says Mexico should accept because these policies are the natural consequences of United States global status and the rules of the international economic game. Mexico should wait for United States economic growth to stimulate Mexican recovery.

But whereas the United States tends to understate both the economic challenge and Mexico's bold policy response to the economic problems, it has inflated the challenge and thereby undermined the Mexican regime's ability to engineer bold policy change on the electoral side. United States media eagerly covered the PAN's rise and then denounced Mexico's failure to democratize.

United States Ambassador John Gavin's meeting with PAN leaders has been widely viewed as an endorsement of either the PAN or two-party competition for power. (In fact, perceived coziness with the United States may have brought about an anti-PAN backlash.) Overall, the United States

(Continued on page 37)

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Less than one year after the return to democratic rule, Brazil faces pressing economic and social problems. "Increasingly, the issue has become either to service the \$104-billion foreign debt or to address the social question. . . . The position of the government is clear: social and political needs must precede the economic and financial."

The Transition to Democracy in Brazil

BY RIORDAN ROETT

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AFTER 21 years of military rule, Brazil returned to civilian government on March 15, 1985. The transition from General João Figueiredo to President-elect Tancredo Neves and, following his death in April, to President José Sarney, was a key step in a long process initiated by the military in the late 1970's.

Neves easily defeated Paulo Maluf, candidate of the governing Social Democratic party (PDS), in the electoral college on January 15, 1985. Representing the Brazilian Democratic Movement party (PMDB) on the Democratic Alliance ticket, Neves received 480 votes to Maluf's 80. Neves defeated the government's candidate in the very forum created by the military to maintain control of the presidency. The military government, with a PDS majority in the electoral college, had opposed measures to establish direct popular elections. That majority was shattered when PDS dissidents formed the Liberal Front and joined the PMDB in the Democratic Alliance coalition. Neves, however, never assumed the presidency of the "New Republic," as he dubbed the postmilitary government. On the eve of his inauguration, he underwent emergency surgery. After 38 days in intensive care and a series of complications, Neves died of multiple organ failure at the age of 75.

Ironically, the man who became President as a result of Neves's untimely death was José Sarney, who had been president of the PDS and whose name had not been mentioned as a presidential candidate in the previous election. Sarney abandoned the PDS to join the Liberal Front in June, 1984, and was later chosen for the second spot on the Neves ticket. This means that the minority group in the Democratic Alliance now controls the presidency.

The consolidation of democratic rule in Brazil is far from complete. The return of the armed forces to the barracks has not eliminated them from the decision-making process. Unlike their counterparts in Uruguay and Argentina, the Brazilian military transferred power peacefully and have retained their institutional coherence. There is little doubt that the military will move to

take power again in the event of widespread subversion or political polarization.

The political agenda in Brazil is of primary concern to the Sarney government. There is an informal agenda, which seeks to broaden Sarney's base of support and establish the legitimacy of his presidency. In order to survive politically, Sarney must wed the PMDB to his government. The need to seek broad political support has distanced Sarney from the Liberal Front party (PFL) to some degree, but there has been no rupture in the Democratic Alliance, and the PFL continues to support him.

The formal agenda is the political reorganization of Brazil. During the military regime, congressional powers were truncated. Political parties functioned but without the capacity to compete freely for power under an artificial two-party system. The constitution was superseded and restricted by a series of Institutional and Complementary Acts.¹

Following established patterns in Brazilian politics, a three-party dominant system is slowly emerging: the current government party, the PMDB, moderately left of center; the PFL, slightly to the right of center; and the Democratic Labor party (PDT) of Governor Leonel Brizola, populist, reformist and opportunistic. Smaller parties will gravitate around the big three with little chance of establishing a strong national position. The PDS, which before 1984 was the largest party with the best organization at both regional and national levels, has imploded, and is now relegated to small-party status. The Brazilian Labor party (PTB) was partially discredited by its previous support for the military regime; its future is linked to the political fortunes of a few members. The Workers' party (PT) is unlikely to expand its political base, which remains restricted to skilled workers in São Paulo, especially those in the automobile industry. The Communist parties have been legalized for the first time since 1947, but are expected to be only a negligible force in the political arena.

Beginning with the mayoral elections in the 23 state capitals in November, 1985, Brazil is experiencing a redistribution of political power among older parties and those that are now in the process of formation. The

¹Riordan Roett, *Brazil: Politics in a Patrimonial Society*, 3d ed. (New York: Praeger, 1984), chapter 6.

municipal election results are the first indication of the relative strength of new parties and of personalities. Brazil remains a country in which political parties are often overshadowed by personalities.

The relative success of parties and personalities in November signaled the opening of the next campaign, scheduled for November, 1986, for state governors and members of Congress. The new Congress is expected to serve as a constituent assembly in 1987 to rewrite Brazil's constitution. Presidential elections are likely to be held in 1988, the first direct voting for President since 1960. Moreover, there is a debate about reinvigorating Brazil's federal structure, which will require a transfer of resources from the central government to the states and municipalities, giving local entities greater power than they have had in decades. With the restoration of a vigorous federal system, the unstable distribution of power among the three larger parties will be reinforced.

Brazil's political elite has given highest priority to internal political and social issues. External policy questions, like trade, protectionism, and the foreign debt, are subordinate to these issues.

In the eyes of the new civilian leadership, the military regime ignored the substance of democratic governance as well as the social needs of the majority of the Brazilian people. The economic model employed by the military succeeded spectacularly—if one looks at gross national product (GNP) growth and trade balances. If, however, one examines per capita income, income distribution, social services, and the like, the majority of the population did not fare well during the 21 years of military rule. Brazil remains a relatively poor country, with an average minimum monthly wage of \$50. Income distribution remains highly skewed. The poorest 50 percent of the economically active population received 17.7 percent of the national wealth in 1960 but only 11.8 percent in 1976. The richest 5 percent of the population increased their share from 27.7 percent to 39 percent over the same period. A 1984 report on annual consumption patterns in 1,023 Brazilian cities and towns indicated that out of every 100 Brazilians, the 8 richest consumed more than the other 92 combined. In 1983, the poorest 9 percent of the survey population purchased only 0.046 percent of the country's goods and services.²

The income-concentrating policies of the prior two decades were compounded by the austerity program imposed after the emergence of the debt crisis in 1982. Three years of adjustment have taken a heavy toll on the Brazilian poor. From the perspective of Sarney and other key leaders, democracy will survive only if pressing social needs like employment, education and nutrition are

addressed. Given population growth trends, the economy needs to produce approximately 1.6 million new jobs each year.

Studies indicate that 23.9 percent of Brazil's population is illiterate, compared to 17.3 percent in Mexico and 12.4 percent in South Korea. Brazil's secondary school enrollment ratio (school enrollment as a percentage of the school-age population) is 32 percent, compared to 51 percent in Mexico, 46 percent in Colombia and 85 percent in South Korea.³ Hunger is an ever-present problem. Two-thirds of the Brazilian population consumes less than the 2,480 daily calories considered to be a minimum nutritional standard by the United Nations Food and Agriculture Organization. Infants and children suffer the most, according to United Nations Children's Fund (UNICEF) data. Out of 1,000 infants, 82 will die before the age of one; an infant dies in Brazil every 20 seconds.

For President Sarney and his government, these data are translated into social and political reality each day as they travel across Brazil. The position of the government is clear: social and political needs must precede the economic and financial.

ECONOMIC POLICY AND THE DEBT CRISIS

The economic team appointed by Neves was headed by Finance Minister Francisco Dornelles, who favored an orthodox approach to economic policymaking. In what may constitute the most radical change in Brazil's economic management team since the 1964 military intervention, Sarney appointed São Paulo industrialist Dilson Funaro to replace Dornelles and named a new central bank president. Funaro brought with him economist from the non-Marxist left, who for the first time in 2 years were handed the reins of economic management. The selection of Funaro as finance minister was considered a victory for the PMDB (which already controlled the planning ministry in its ongoing struggle with the PFL to influence the Sarney administration).

Very high on the new team's list of priorities is the political agenda. That translates into the team's unwillingness to submit to International Monetary Fund (IMF) adjustment targets that impede economic growth. Funaro and his advisers are more willing to live with continued high levels of inflation than to sacrifice employment opportunities. Their position is widely supported throughout the country and by most political parties.

Increasingly, the issue has become either to service the \$104-billion foreign debt or to address the social question. Interest payments on the debt approximated \$12 billion in 1985, about the size of Brazil's merchandise trade surplus for the year. In his address to the United Nations General Assembly on September 23, 1985, Sarney left no doubt about his government's approach to the debt:

Brazil will not pay its foreign debt with recession, nor with unemployment, nor with hunger . . . a debt paid for with poverty is an account paid for with democracy.

Since March, 1985, Brazil has joined those who most

²*Veja*, October 3, 1984.

³*World Bank Annual Report, 1984* (Washington, D.C.: World Bank, 1985).

⁴Bernard Wolfson, "Drought in Northeast Brings Despair and Tension," *INFOBRAZIL*, vol. 5, no. 1 (October/November, 1983), p. 3.

loudly criticize the "rules of the game" relating to the debt issue. Sarney stated in his United Nations speech that "the existing scenario must be reassessed. It must be restructured. Because it is unfair. And anything that harbors the germ of injustice, of the absurd, cannot survive."

Sarney's position is in marked contrast to that of the military government. Following the initial crisis in 1982, Brazil accepted an IMF austerity program. Although it was unable to meet all IMF conditions, the military's economic team accepted the basic—and classic—IMF formula: wage cuts, an increase in exports, and a decrease in imports. The IMF program intensified the three-year recession and led to public protests against further cuts in living standards.

Political leaders of large debtors like Brazil and Mexico see no relief in the foreseeable future. The United States private commercial banks, which hold about \$220 billion of Latin America's total \$360-billion debt, have made it clear that they are not interested in new lending. It has become more difficult to restructure debt and to convince many banks to roll over loans. "Forced" lending has become the norm, and the money center banks are the ones forced to increase their exposure. Banks are also pressured by United States regulators to disclose the creditworthiness of their portfolios.

Bankers, therefore, responded with skepticism to the plan United States Treasury Secretary James A. Baker 3d unveiled at the annual conference of the World Bank and IMF in Seoul, South Korea, in October, 1985.⁵ Baker called for \$29 billion in new loans to debtor nations over the next three years: \$20 billion would be provided by the private banks, and \$9 billion by the World Bank, the Inter-American Development Bank, and other multi-lateral lenders. If implemented, the plan would generate approximately \$20 billion in credits to Latin American debtors, of which Brazil would receive an estimated \$5.4 billion.⁶

Latin America is no longer viewed by many companies as an area of growth potential. The lack of new private investment has hindered Brazil's recovery. In 1984, total investment in Brazil fell to its lowest level in five years. Local market demand has yet to recover fully from the recession; the economic growth rate of four percent in 1984 was sparked primarily by the external sector. Brazil's recent restrictions on foreign investment in the computer industry may further inhibit investment inflow.

Trade remains the only hope. But, as Sarney stated at the United Nations, Brazil is "caught between the threat of protectionism and the specter of insolvency." Brazil's favorable trade balances have been due in large measure to the absorptive capacity of the United States market. The IMF predicts, however, that in 1986 the industrial economies will expand by only 3.1 percent and that the

rate of United States economic growth will continue to decline. The combination of a slowdown in United States demand and protectionist legislation are critical elements in Brazil's calculus about future trade patterns.

Faced with this uncertain global environment and with the pressing need to address the country's social agenda in order to preserve the new democratic order, the Sarney administration has followed a cat-and-mouse strategy with the IMF and the commercial banks. Desultory conversations with the IMF have taken place. The private commercial banks renewed \$16 billion in trade and inter-bank credits through January 17, 1986. It is expected that another extension will be needed and granted. The private banks appear to have adopted a strategy of caution, of avoiding a confrontation. The IMF, in turn, has been careful to leave open all alternatives. Brazil's task is to convince the Fund to endorse its proposed growth program. If the Fund refuses to do so and if there is no available political alternative, Brazil may tell its creditors that it wishes to restructure the \$45.3 billion that is coming due without the participation of the IMF. The case of Venezuela may be employed as a model. The Venezuelan government refused to accept an IMF agreement and IMF monitoring, and has proceeded successfully to renegotiate its debt package with the banks.

Brazil has a number of factors in its favor if it chooses to bypass the IMF. Its \$12-billion merchandise trade surplus in 1985 appears guaranteed. In spite of rising protectionism, the 1986 surplus should be in the same range. The country has more than \$8.5 billion in reserves. Domestic petroleum production has reached more than 60 percent of domestic consumption; declining world oil prices further lower the import cost of a vital input. Furthermore, Brazilian authorities have let it be known that the country does not expect to need any additional financing in 1986.

On the other hand, the Brazilian government will be working within narrow economic and financial constraints for the foreseeable future. There is growing pressure to stimulate the economy through public spending. Annual inflation continues in the 200 percent range; some predict that it may reach 400 percent in 1986. The internal debt is estimated at \$30 billion. As the domestic economy recovers from the recession, there is growing demand for imports. Labor militancy is on the rise, and the issue of wage increases for labor will grow in importance with the congressional and gubernatorial elections in November, 1986. But even the successful management of its economy will not guarantee Brazil's success; its future depends as much on external factors like commodity prices, world market demand, petroleum prices and interest rates as on government decisionmaking.

Brazil will continue to link the debt to its political and social agenda. For domestic political reasons, the Sarney government cannot and will not appear to be bending to IMF adjustment measures or to the pressures of the private commercial banks. Because of the pressing social

⁵John Burgess, "Few Banks Rush to Aid Latin America," *Washington Post*, October 13, 1985.

⁶*Jornal do Brasil*, October 7, 1985.

agenda, government programs will favor the poor and marginal in society. What must give, in Brazil's view, are the rigid requirements of debt servicing and interest payments.

Brazil will seek maneuvering space in its negotiations, but it will maintain its ties to international capital markets. In the aftermath of the earthquake and falling oil prices, Mexico now looms as an immediate problem for the international financial system. Brazil realizes that from the viewpoint of the banks and the IMF, it appears to be in a better position than Mexico, and it can be expected to use that bargaining position in negotiations.

FOREIGN POLICY

The Sarney administration continues a policy that was shaped during the period of military rule. Its present form can be traced primarily to the administration of President Ernesto Geisel (1974–1979), which sought movement away from, but not against, the United States; neutrality between East and West; and approximation with the third world (especially Africa).

Economic issues will dominate United States–Brazilian relations for the remainder of the decade. This position was made clear by Olavo Setúbal in his first speech as foreign minister in March, 1985. Under Setúbal's "diplomacy for results," Brazil will work to reduce its external vulnerability in the financial, commercial and technological areas.

Setúbal has sought to politicize the debt issue, with limited success, by involving the foreign ministry in debt negotiations. Setúbal has also given active and strong support to the 1984 "Cartagena Consensus," which was signed by the finance and foreign ministers of 11 Latin American debtor countries and calls for government-to-government negotiations on the debt. Careful not to jeopardize its relations with its creditors, Brazil has maintained a moderate position on the subject.

The issue of protectionism was particularly divisive for Brazil–United States relations in 1985, and may become even more so in the near future. Exports to the United States accounted for 41 percent of Brazil's trade surplus in 1984.⁷ Growing protectionism in the United States threatens further to limit Brazil's major export market. In many instances, however, the effects on Brazil have been minimized by Reagan administration efforts to counter protectionist measures. Brazil's exports to the United States have increased from \$3 billion in 1979 to \$13 billion in 1984.⁸ Approximately half the investigations of Brazilian export practices by the International Trade Commission (ITC) have been resolved in Brazil's favor; 28 cases are still pending (compared to 117 for Japan). In 1985,

⁷*Gazeta Mercantil*, April 22, 1985.

⁸*Gazeta Mercantil*, August 5, 1985.

⁹Michael Boster, "Steel Quota Negotiated," *INFOBRAZIL*, vol. 6, no. 3 (March, 1985), p. 2.

¹⁰*Gazeta Mercantil*, September 2, 1985.

¹¹Alan Riding, "Brazil's Protected Computers," *The New York Times*, September 14, 1985.

Brazil signed a "voluntary" agreement with the United States that limited its steel exports to 0.8 percent of United States annual consumption. Despite the United States quota, Brazil was expected to export a record 8.1 million tons of steel in 1985.⁹ In August, 1985, President Reagan rejected an ITC recommendation that nonrubber-shoe imports should be reduced from 76 percent to 60 percent of the local market over the next five years. Each year, Brazil exports about \$1 billion in shoes to the United States.¹⁰

In September, 1985, President Reagan accused Brazil of "unfair trade practices" in protecting its computer and data-processing industry through a market reserve policy, and threatened to retaliate. The statement elicited a storm of nationalist protest; Brazil's government, in a more restrained response, promised to deal with the matter on a "technical" level. Brazil has based its protection of the industry on infant industry and national security arguments. The policy was proposed by the military regime and refined in the form of congressional legislation in 1984. In the past six years, Brazilian computer and data-processing producers have increased their domestic market share from 22 percent to 55 percent.¹¹

Regionally, Brazil has been involved in increased dialogue with its neighbors, especially the newly democratic governments of Uruguay and Argentina. In 1985, Brazil joined Peru, Uruguay and Argentina in forming the Contadora Support Group, which seeks to back the original Contadora group of Colombia, Venezuela, Panama and Mexico in its attempt to preserve peace in Central America. In his September, 1985, speech to the United Nations, Sarney defended the Contadora process and reiterated Brazil's commitment to the principles of nonintervention and self-determination. Despite such rhetoric, Brazil is hesitant to get further involved in the Contadora process; thus far, the leadership for the support group has come primarily from Peru and Argentina.

In conclusion, the transition to civilian government has brought few changes in Brazil's foreign policy. Nor is there reason to expect any major international initiatives in the near future. Constrained economically, and seeking to consolidate itself politically, Brazil has turned inward. Brazil will deal pragmatically with the external arena to the extent that those issues affect the domestic agenda. ■

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In Venezuela, "Lusinchi's political reputation and the outcome of the 1988 presidential race may well rest on his ability to broaden . . . modest social investments. . . . With the nearly moribund state of leftist parties and COPEI after AD's strong victory in 1983, at least the short-range analyses and solutions must come from Lusinchi's party."

Venezuela: Interim Report on a Social Pact

BY JUDITH EWELL

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IN December, 1983, Jaime Lusinchi was elected President of Venezuela with 56.8 percent of the vote, the largest majority in Venezuelan democratic history. A Gaither poll released in September, 1985, after one-third of his five-year-term was completed, gave Lusinchi a 60 percent approval rate. A physician with no previous administrative experience, Lusinchi and his team have coped with Venezuela's economic crisis much better than anyone could have predicted.

Lusinchi's party, Acción Democrática (AD), shared his electoral victory and took decisive control of Congress. In 1984, Congress gave Lusinchi the authority to rule by decree in economic matters for a year. The political opposition—chiefly the Social Christian party, or COPEI, and the leftist Movimiento al Socialismo, or MAS—still appears demoralized and shattered by its resounding electoral defeat. The political honeymoon allowed Lusinchi to implement austerity measures that trimmed swollen government expenditures and restored some order to domestic finances.

The reforms impressed the committee of international bankers with whom Venezuela had to renegotiate its \$35-billion foreign debt, and an agreement on the repayment of the debt was reached without the intervention of the International Monetary Fund (IMF). Venezuela's economy has not yet recovered from the chaos left by the two previous governments, but optimists have found a ray of hope in the final report of the Banco Central de Venezuela (BCV) for 1984. The gross domestic product declined only by 1.1 percent, in comparison with the 5.6 percent decline in 1983.

Foreign affairs have been relatively tranquil, dominated by petroleum and debt diplomacy. The new democratic governments that have appeared in South America since 1980—Argentina, Brazil, Uruguay, Peru, Bolivia—provided Venezuela with allies more ideologically compatible than the previous military dictatorships. In

Central America, the Contadora group helped to contain the regional conflicts and submitted a peace agreement for consideration on October 7, 1985.

Unfortunately, most omens for the next three years suggest that unless Lusinchi's administration is extraordinarily skillful, it will probably be judged a failure. Venezuela has suffered from lower petroleum revenues, a large foreign debt, and a stagnant domestic economy, but the economic crisis has been relatively mild in this nation of 16.5 million people. But in September, 1985, Saudi Oil Minister Ahmed Zaki Yamani announced that Saudi Arabia would sell 850,000 barrels a day (b/d) of crude oil not at the official price set by the Organization of Petroleum Exporting Countries (OPEC), but at the net-back price, determined by the market value of the refined products.

The announcement raised the possibility of the collapse of OPEC's pricing and production agreements and an open petroleum price war. One pessimistic analysis speculated that oil prices could drop to \$15-\$18 a barrel by the spring of 1986, from the October, 1985, official price of \$28 a barrel. The announced devaluation of the United States dollar could accentuate further the adverse effect on oil-producing nations like Venezuela, which receive payment in dollars.¹ Venezuela's 1986 budget of Bs107.5 billion, which is only slightly higher than the 1985 budget, estimates that oil prices will not decline below \$24 a barrel. Since Venezuela depends on oil revenues for well over 60 percent of ordinary government income and has committed 34.1 percent of the 1986 budget to debt service, a drastic drop in oil prices would produce an economic earthquake.

A recent study concluded that Venezuelan politicians have had the luxury of not having to set priorities among ostensibly competing interests in society.² If oil revenues do not decline dramatically, Lusinchi may be able to save the "social pact" he promised in the 1983 election. If prices soften even to \$20 a barrel, hard choices must be made between servicing the debt, providing relief for the working and unemployed classes, and providing capital and incentives for business.

By late 1985, some Venezuelans were charging that Lusinchi's social pact had provided more for business

¹Juan Carlos Zapata, "La Estrategias de largo plazo," *Vúmero*, October 6, 1985, pp. 4-5.

²Moisés Naím and Ramón Piñango, "El Caso Venezuela: una ilusión de armonía," in Moisés Naím and Ramón Piñango, eds., *El Caso Venezuela: una ilusión de armonía* (Caracas: Ediciones ESA, 1985), pp. 538-579.

than for the middle class or workers. Inflation had leveled off somewhat, but was officially set at 11.5 percent for the period from August, 1984, to August, 1985. Food and beverage prices, however, rose by 22 percent. Unemployment had risen to 14.5 percent of the economically active population by October, 1985, but was at 30 to 35 percent in the depressed construction industry and at a disturbing 24.5 percent for workers between the ages of 15 and 24. Many of the new middle class could see their status eroding in a nation in which 66 percent of the households received an income of less than Bs4,000 a month (about \$286 at an exchange rate of Bs14 to the dollar).

Criticism, much of it from within the AD party, has become sharper. Luís Raúl Matos Azócar, Lusinchi's first minister of Cordinplan, the state planning agency, received a warning and motion of censure from AD's national executive committee (CEN) in September, 1985, for saying that Lusinchi's promised "government by the best" had been replaced by a "government of flatterers." The honeymoon appears to be over, and Lusinchi's political space will be reduced further as the presidential election campaign begins in earnest.

THE DEBT AND ECONOMIC POLICY

In renegotiating the national debt, Venezuela remained somewhat aloof from any "debtors' club." The Caracas strategy portrayed Venezuela's economy as unique, basically sound, and worthy of liberal terms from the creditor banks. In June, 1984, Caracas joined other debtor nations to sign the Cartagena (Colombia) Consensus, which pointed out that creditor and debtor nations, multilateral lending agencies and commercial banks all shared the responsibility for the economic crisis. The Consensus called on the bankers of wealthier countries to lower interest rates and to encourage Latin American exports and economic growth. The rhetoric was grand, but the signatory nations did not agree on any collective tactics to pressure the banks to ease terms of repayment.

By September, 1984, Venezuela's strategy had achieved the desired result. The banks agreed in principle to reschedule the \$20.7-billion debt—that is, 94 percent of the public debt maturing between 1983 and 1988—over a 12-year period at an interest rate of 1.125 percent above Libor.* Although no IMF intervention was required, Venezuela apparently committed between 35 and 45 percent of export earnings to debt service through 1989, if oil revenues remained relatively constant.

As the international oil outlook became bleaker, some Venezuelans began to call for a "renegotiation of the renegotiation." Lusinchi's economic advisers argued that the nation had to sign the agreement as it stood if they wished to command international respect and to attract

new investment. Then, while Lusinchi and other heads of state were in New York in September, 1985, to address the United Nations, Lusinchi's position altered slightly.

The news that Mexico had not been able to live up to its financial commitments even with austerity measures and before the terrible earthquake of September 19 was chilling. The Saudi Arabia announcement had raised the question of whether Venezuela could meet the stringent renegotiation terms if a petroleum price war broke out. Finally, speaking before Lusinchi spoke in the United Nations, Peruvian President Alan García asserted that Peru would not commit more than 10 percent of export earnings to debt service, and Brazilian President José Sarney warned that he would not pay the foreign debt with "recession, unemployment, and hunger" in Brazil.

Lusinchi responded by delivering his most aggressive statement ever on foreign policy and by announcing that Venezuela intended to ask that a contingency clause be inserted in the debt renegotiation agreement. If conditions changed dramatically—a natural or economic disaster, for example—the debtor nation should not be held to the original terms. His UN address, televised in full in Venezuela, earned a positive response at home, and the contingency clause reportedly won the approval of the bankers' committee.

A troublesome secondary issue has been the degree to which the government is willing to guarantee the private debt. President Luis Herrera Campíns had agreed to allow indebted businesses to continue to receive dollars at the predevaluation rate of Bs4.3 to the dollar instead of the Bs7.5 rate or the even higher floating rate. A new agency—Recadi—was established in 1983 to decide on the legitimacy of requests for the preferential rate. Recadi, however, did virtually nothing until Lusinchi took office. By October, 1985, the agency had reviewed over 8,000 requests and had authorized preferential dollars for debt repayment for about half the private foreign debt—about \$7 billion. Breaking the Recadi logjam won support for Lusinchi in the business sector.

Fiscal and economic housecleaning accompanied the debt renegotiations. Steps were taken to return to a unified exchange rate. In early 1984, Lusinchi had implemented a four-tier exchange rate system: Bs4.3 for essential imports and debt payment, Bs6 for the state iron and oil industries, Bs7.5 for other nonessential imports and foreign debt interest payments, and a floating rate that ranged from Bs12.8 to Bs14.6 for most of 1985. The nation would use only the Bs7.5 rate and the floating rate as of January 1, 1986.

Lusinchi ordered government ministries to reduce expenditures by 10 percent. Public salaries of over Bs10,000 a month were frozen or cut by 10 percent. The sale or elimination of unprofitable national enterprises began. At the top of the hit list was the sprawling Venezuelan Development Corporation, which had run up a debt of 14 million bolívares. Private investors, if they could be found, would also take over the National Institute of

*Editor's note: Libor (London interbank offered rate) is the interest rate banks are charged when they borrow in the European currency market; commercial banks throughout the world use it as the base rate for the interest they charge on foreign loans.

Ports, which operates at a daily deficit of half a million bolívares. Lusinchi eliminated or lowered many government subsidies, including those on gasoline and on pasteurized milk. Consumer prices on these two products quickly rose by over 100 percent.

To cushion the effects of rising prices, the President ordered a rise in the minimum wage from Bs900 to Bs1,500 a month. Private employers with more than 10 employees were ordered to increase their work force by 10 percent, open workers' dining halls, and provide transportation subsidies for some workers. A pilot program for food subsidies for the poor was drawn up, but its implementation was delayed.

The austerity program reduced government subsidies and reassured bankers, but it did not stimulate the stagnant economy. Capital flight in 1982 and 1983 had been massive. One September, 1985, report estimated that Venezuelans had over \$30 billion in deposits abroad.³ Foreign and domestic responses to new investment incentives have been modest and business confidence continues to be low, although it may be said that public confidence in business and banking is also low.

Some of the bad news in banking, industry and construction was partially offset by moderately good news in agriculture. Production increased in 1984 and 1985 in a number of areas, spurred in part by government incentives. Even that good news had its limits, as producers found their profits threatened in 1985 by inadequate silo space for bumper crops of corn and rice and by a drastic drop in consumption. With over a million people unemployed, lower consumption rates should have been no surprise, considering the fact that the average monthly food costs for a family of five (Bs1,700) exceeded the minimum monthly wage for that same family of five (Bs1,500).

Lusinchi has not faced foreign challenges that match his economic dilemmas, and he has not yet indicated any new foreign policy directions. Oil diplomacy continues to be of primary concern, and it has geopolitical as well as economic objectives. Venezuela has been reevaluating its petroleum strategy in light of changed marketing conditions. *Petróleos de Venezuela S.A. (PDVSA)*, the national oil company, has begun more actively to pursue a strategy of "internationalization," joint enterprises with foreign companies. In 1982, PDVSA signed an agreement with the West German firm of Veba Oel to supply the Gelsenkirshen refinery (in which Venezuela had invested) with 100,000 b/d of crude oil. Veba Oel's marketing of the products gave Venezuela direct access to the European market. In 1985, PDVSA raised the amount supplied to 150,000 b/d and began discussion of a joint Veba Oel/PDVSA deal with Beijing. Minister of Energy and Mines Arturo Hernández Grisanti hopes to make other, similar arrangements to insure a market for Venezuelan oil.

Petroleum also serves Venezuela's regional objective of

working to promote stability in the Caribbean. In 1980, Herrera's government signed the San José Accord, by which Mexico and Venezuela agreed to supply oil at discounted prices to Central American and Caribbean countries. In mid-1982, Venezuela suspended shipments to Nicaragua when that country fell behind in its payments. In 1984, Mexico and Venezuela renewed the accord, but reduced the amount of oil available on easy terms and added a clause that excluded from the benefits of the agreement any nation that initiated warlike actions against others.

Like the San José Accord, PDVSA's 1985 commitment to rent the Curaçao oil refinery that Shell Oil Company was closing was more a response to general geopolitical objectives than to strictly economic aims. Venezuelan oil experts hoped that some of the advantages of the arrangement might offset the potential economic burden, but there was also resentment that the United States and Holland had left Venezuela to undertake the expensive rescue operation. The refinery deal will give Venezuela access to a deep water port and will provide opportunities for Venezuelan engineering, construction and maintenance companies. Keeping the refinery open will prop up Curaçao's economy and perhaps avert any new rush of emigration from the island to Venezuela. On the other hand, PDVSA will have to cope with Curaçao's labor, social and economic problems and will probably have to invest scarce funds in plant modernization.

Venezuela's general Caribbean relations have shown no major shifts in the last two years. Mild efforts to regularize relations with Cuba stalled when Luis Posada Carrilles, accused of conspiracy to blow up a Cuban airliner over Barbados in 1976, bribed his way out of a Venezuelan penitentiary in August, 1985. Venezuela also took care to keep an official distance from Fidel Castro's calls for debtor nations to unite in order to put more pressure on creditor banks.

At this writing, the lack of unity and prestige and the low morale of leftist political parties in Venezuela have meant that there is little organized pressure for closer relations with Cuba or for more support for Nicaragua. In contrast, Cuban and Nicaraguan conservatives have pursued an active public diplomacy in Venezuela and have some influential allies.

The ascendancy of business groups in contemporary Venezuela, a traditional preference for democratic governments, and attention to more pressing problems have all influenced Venezuela to play a relatively conservative role in the Contadora group (comprised of Venezuela, Colombia, Mexico and Panama). Venezuela has neither an active guerrilla threat like Colombia nor an asserted tradition of revolution like Mexico that would call for sending sympathetic signals to the Marxist left in Central America.

President Luis Herrera Campíns, who first committed Venezuela to this peace-keeping initiative, had strong ties to Salvadoran Christian Democrat José Napoleón Duar-

te. Before Contadora was formed in January, 1983, Herrera had been furious at a joint Mexican–French declaration on Central America that had accorded legitimacy to El Salvador's leftist guerrillas. In 1982, Herrera led other Latin American leaders in issuing a statement that criticized any recognition of the guerrilla left.

Since January, 1983, the Contadora group has asserted a virtual monopoly on negotiations in Central America. Although the ostensible objective of a lasting peace in the region might be impossible to achieve, Contadora has succeeded in freezing out other, more extreme mediators of the right or the left for three years and has bought time for internal situations to stabilize. Contadora's impotence has been shown, however, in its inability to prevent the increasing militarization of the region or United States support for the Nicaraguan contras, arguably the most destabilizing force in the region since 1983.

The question remains: What role will Venezuela—and the other Contadora nations—play now that the Central American leaders have rejected the treaty? The development of the Contadora Support Group, which was originally comprised of Argentina, Brazil, Peru, Uruguay and was joined in October, 1985, by the Dominican Republic and, briefly, by Ecuador, suggests the Latin American democratic alliance that AD founder Rómulo Betancourt had called for in the early 1960's. Unfortunately, democratic alliances have proved ephemeral, and this one lost moral weight in September, 1985: Panamanian President Nicolás Ardito Baretta was forced to resign and Ecuadorian President León Febres Cordero broke diplomatic relations with Nicaragua and withdrew from the support group a few weeks later.

POLITICS AND THE SOCIAL PACT

In the last 25 years, Venezuela's political democracy has not achieved notable progress toward wider distribution of oil wealth. In his 1983 campaign, Jaime Lusinchi promised a new social pact that would serve the interests of labor, business and government and lead to a true social democracy. To implement such a social democracy, government, with the consent of business, would have to implement measures that would place more income and services at the disposal of the majority of the population. Yet after two years in office, Lusinchi's Tripartite Commission representing Fedecámaras, the CTV and government, and the Cabinet—heavily weighted toward banking and business interests—have made only token gestures toward fulfilling the promise of a social pact.

The two major challenges to Lusinchi's economic austerity program have come from within AD ranks. First, Cordiplan Minister Luis Raúl Matos Azócar submitted the seventh national plan on November 30, 1984. Matos Azócar argued that although the austerity measures had restored fiscal order, a continuing contraction of government spending would endanger any hopes of economic revival. After implementing administrative reforms, he

⁴*El Nacional*, September 5, 6, 7, 1985.

believed, the government should cautiously increase spending. New forms of ownership like cooperatives and joint owner-worker control of enterprises could give the working class more economic power and a greater sense of participation. President Lusinchi did appoint a presidential commission for state reform, headed by Ramón J. Velásquez. The commission continues in late 1985, but hostile business reaction to the seventh plan prompted Matos Azócar's resignation in mid-January, 1985.

CTV president Juan José Delpino launched the next attack during the ninth congress of the CTV in May 1985. In a nationally televised speech, Delpino surprised Lusinchi by calling him to task for the high unemployment rate and inattention to labor concerns. Annoyed at the public criticism, Lusinchi defended his government and promised that he would make changes in his Cabinet if the domestic economic situation did not brighten within 120 days. In September, Delpino called for the promised Cabinet changes and demanded a 30 to 35 percent general salary increase to be spread over the next three years. Government spokesmen like Development Minister Héctor Hurtado Navarro replied that the economic situation made it impossible to accede to a general salary increase.

The middle class also feels left out of the social pact. The Federación de Maestros seconded Delpino's demand for a salary increase. University professors went on a generally unpopular strike in October, 1985, to demand payment of salary adjustments promised since 1983. A National Board of Consumers was formed in September 1985, to guard the purchasing power of the beleaguered middle class. Unemployment had also hit professionals. An estimated 10 percent of physicians were unemployed and an additional 20 percent had less than full-time employment. As new medical school graduates entered the job market, the total number of doctors grew by 6.7 percent a year.⁴

The crime rate, drug traffic, overloaded judicial dockets and overcrowded jails have caused particular concern. Minister of Interior Octavio Lepage began a program to put more police, better trained and with higher morale on the streets. He reopened three police academies that had been closed, saw that the minimum wage for police in the interior was raised from Bs1,500 to Bs2,000 a month and proposed improved benefits, like life insurance, for urban police officers. To confront the crime wave in Caracas, Lepage ordered the police forces of the Ministries of Interior and Justice and the National Guard to share with the Metropolitan Police the job of patrolling the city. Local neighborhood associations also cooperated

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"The Argentines welcomed the Radical party to power in 1983 as a dramatic repudiation of the nine nightmare years of military and Peronist governments. . . . The Radical government has reintroduced political democracy and civil pluralism as the coin of the realm. . . . But it is one thing to establish the parameters of formal, juridical democracy and another to fulfill long-delayed and necessary social and economic reforms."

The Dilemmas of Democratization in Argentina

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PRESIDENT Raúl Alfonsín's political honeymoon has been the longest that any administration in Argentina has enjoyed since the 1946–1949 years of President Juan Perón. Alfonsín's popularity in the first 18 months was probably a result in part of the population's unmitigated rejection of the excesses of the military dictatorship. When his popularity subsequently began to wane (not unusual in Argentina's effervescent political climate), Alfonsín embarked on two very popular measures that have given him time to undertake deeper and more substantial reforms. First, he took the prosecution of the previous military juntas out of the hands of a military tribunal and transferred it to civilian jurisdiction and, second, he instituted a major currency reform combined with a wage and price freeze.

There is little doubt that the Argentines welcomed the Radical party to power in 1983 as a dramatic repudiation of the nine nightmare years of military and Peronist governments after the death of Juan Perón in July, 1974. The Radical government has reinforced political democracy and civil pluralism as the coin of the realm. Personally popular among all classes, Alfonsín has tried to solidify and institutionalize democracy. After the turmoil and violence of President Isabel Perón's government and the massive repression under the military since General Jorge Videla's coup in 1976, Alfonsín's democratic consensus parallels somewhat the support given to West German Chancellor Konrad Adenauer after the Nazi horror.

But it is one thing to establish the parameters of formal, juridical democracy and another to fulfill long-delayed and necessary social and economic reforms. Years of political suppression and economic exploitation in Argentina have led to many unresolved socioeconomic claims. Argentina's large laboring class is organized into the formidable and powerful General Confederation of Labor (Confederación General de Trabajo or CGT). As political normalcy has returned, the Argentine conflict between agrarian-industrial interests and those of the working class in both the public and the private sector is reemerging.

Clearly, the 1983 victory of President Raúl Alfonsín and the Radical party (Unión Cívica Radical or UCR) was a political watershed. It represented the first defeat of

Peronism in an open, freely contested election and the first Radical party majority victory since the 1920's. Alfonsín's electoral success was due in part to his coherent critique of the military dictatorship; the Peronist presidential candidate, Italo Luder, supported an amnesty for the military as part of his political campaign. The Peronists had opened the way for the military's entry into politics in 1975, and some Peronist leaders allegedly collaborated with the military government after 1976. In addition, the suppression of the Argentine left had begun in Perón's last months in office in 1974.

Democratic pluralism emerged in 1983 and had grown even stronger by 1985. The Radical legislative victory in November was only a symptom of this change. On the surface, the political opening to full-fledged democratic procedures is a heady experience in Argentina. Most visible signs indicate its continued consolidation, although there are some troubling signs that negative reflexes are reemerging. The imposition of a 60-day state of siege on October 25, 1985, to counter right-wing violence was the darkest cloud on the political landscape. Right-wing groups had set off bombs in dozens of schools and at the country home of the interior minister as part of a campaign demanding amnesty for the junta chiefs on trial. Alfonsín imposed the state of siege after a judge ruled that the arrest of 12 men accused of the bombings was unconstitutional except during a state of siege.

The civilian trials of the military junta's nine commanders-in-chief have solidified Alfonsín's credentials among many political factions in the center and on the moderate left. Though the eclipse of the military was due more to its defeat at the hands of the British over the Malvinas/Falkland Islands in 1982 than to popular protest, the eventual collapse of the military regime had strong popular backing. It is now generally recognized that the military government left the economy in shambles, demonstrating a military-bureaucratic inefficiency as well as an inability to defend Argentine national interests.

The dramatic public testimony given in the federal court hearings in mid-1985 was a catalogue of human rights violations that deeply moved Argentine public opinion. Long lines formed early each morning to enter a

small public gallery where the court commenced daily testimony in midafternoon. The nine commanders-in-chief of the three service branches during three successive military governments (1976–1982) were accused of murder, illegal detention, torture, robbery, usurpation of private property, extortion, kidnapping, rape, perjury, preparation of false documentation for surviving children or those born of prisoners who were later assassinated, and concealment of crimes. The daily repetition of oral testimony involving the 709 cases chosen by the public prosecutor, Julio Strassera, were almost cold-bloodedly monotonous. Between April and August, 1985, there were 77 days of public hearings in which 900 surviving witnesses testified on behalf of the prosecution.¹ The case-by-case elucidation of the military's repression of a sizable minority of Argentines became part of people's daily diet via detailed newspaper accounts. It undermined, possibly for all times, the historical stature and moral superiority of the Argentine military.²

The cases selected by the prosecutors during four months of evidence were illustrative of the close to 10,000 cases of "disappeared persons" listed by Argentina's presidentially appointed "National Commission On Disappeared Persons" (CONADEP).³ Other international, United States and inter-American human rights organizations have made estimates that reached 30,000. Amnesty International estimated 20,000. Summaries of the testimony in the presence of the nine accused commanders were reminiscent of the Eichmann trials in Israel. Strassera spoke of not being alone in this enterprise, but of "being accompanied by thousands of disappeared persons who have left us, by way of the voices of those who had the good fortune to return from the shadows, their mute but nevertheless eloquent accusations."⁴

In closing arguments, Strassera declared that "sadism is not a political ideology or a strategy of war but a moral perversion." He asked the judges for life sentences for General Jorge Videla, Admiral Emilio Massera and Brigadier Orlando Agosti of the first junta and General Roberto Viola and Admiral Armando Lambruschini of the second junta, as well as 15 years in prison for Brigadier Omar Graffigna. For the third junta, under whom the Malvinas debacle occurred, the prosecutors asked 15 years for General Leopoldo Galtieri, 12 for Admiral Jorge

Anaya and 10 years for Brigadier Basilio Lami Dozo.⁵

The military defense was based essentially on ideological and political arguments developed during the military dictatorship's "Process of National Reorganization." At this time, the "Doctrine of National Security" was also evolved to substantiate the fact that the armed forces were involved in an all-out war against permanent subversion.⁶ During this "process," thousands of crimes had been committed against civilians, the Geneva conventions on the treatment of prisoners had been ignored, and the enemy had been annihilated rather than defeated.⁷

The commanders spoke on their own behalf. Admiral Massera aggressively decried the proceedings and said "we are here because we won the armed conflict but lost the psychological war. . . . The enemy is afraid because it knows that the armed forces today can return to defeat them."⁸ General Viola's defense lawyers argued that the trials had been essentially instigated by Marxists "who are leading us toward the dictatorship of the proletariat. . . . These are not leftist revolutionaries but anti-national assassins, whereas the military were authentic heroes. . . ."⁹

The trials precipitated a massive outpouring of support for the government and a severe condemnation of the military "process." Any disagreements revolve around the need to punish not only those who gave the orders but those who carried them out and those who tortured. As the military trials continued into September and October, public opinion became more condemnatory. Later surveys found that 67 percent of the population favored extending the trials to all those responsible for excesses independent of rank,¹⁰ and 92 percent were supportive of the trials of the military commanders.¹¹

ECONOMIC DIFFICULTIES

Economically, the Alfonsín administration also faces enormous problems. It suffers severe technological backwardness in its industrial sector, and it is still heavily dependent on primary export markets that traditionally are plagued by unfavorable international prices and unpredictable markets. In addition, after 1956 military governments practiced an open-door policy for foreign imports (thus arresting Argentina's great potential for industrial development), and even limited industrial exports. These policies, plus the proliferation of a chaotic, uncontrolled banking system and the mushrooming of wildly speculative financial houses under military aegis, dried up long-range, planned industrial investments. Moving money from financial institution to financial institution on a 48-hour basis became a popular and remunerative alternative to slow, sound industry-building. Decapitalization was the rule and potential investors sought immediate domestic monetary gratification or the proven interest havens of the United States and West Europe.

Argentina also reflects high cultural-communications-educational levels, rampant consumerism, a gigantic net-

¹*La Razon*, September 11, 1985, p. 10.

²Pablo Guissani, "La difícil remoción de una monarquía," *La Razon*, August 21, 1985, p. 12.

³The testimony was compiled into what became a major best-seller in 1985; now in its tenth printing, it is entitled *Nunca Mas* (Buenos Aires: Eudeba, 1984.)

⁴*La Razon*, September 12, 1985, p. 28.

⁵*La Nacion*, September 9, 1985, p. 1.

⁶Daniel Frontalini and Christina Caiati, *El mito de la guerra sucia* (Buenos Aires: CELS, 1985).

⁷*Nunca Mas*, pp. 25–29, 294–297.

⁸*La Razon*, October 4, 1985, p. 11.

⁹*La Razon*, October 11, 1985, p. 14.

¹⁰*La Nacion*, September 18, 1985, p. 7.

¹¹*La Razon*, October 9, 1985, p. 14.

work of small commercial enterprises¹² and runaway inflation. A huge service sector contributes over one-half of the gross national product (GNP); three out of every five people work in the service sector and one-third of these work in state industries and public agencies. Moreover, government investment has reached 61 percent of total gross investment compared to 41 percent in 1961. Argentina has become one of the world's leading examples of an underdeveloped, postindustrial society.

The 1984 inflation rate was 566 percent, which, by the first two weeks of June, 1985, totaled an astounding yearly rate of 1,200 percent. All these ingredients produced a decline in per capita growth rates exemplified in 1982's figure of -1.1 percent.¹³

The Alfonsín government's economic reforms of June 14, 1985, which have become widely and popularly known as the "austral plan," were conceived as a draconian first step to counter these economic deficiencies. Apparently the plan was the brainchild of Alfonsín's economic team, led by Juan Sourrouille, the economics minister. The plan (at first blush a monetary stabilization effort) consisted of three provisions: a price and wage freeze for up to four months (extended to end after the November, 1985, elections); the introduction of a new currency, the austral, to replace the Argentine peso; and an assault on government expenditures and a complete halt to printing "paper" money. The reforms have met with unmitigated approval from the International Monetary Fund (IMF) and international lending banks and have general support in Argentina.

Argentina has finally achieved a stable currency; the black market rate averages about 15 percent above the Central Bank's established rate. The austral has remained very firm vis-à-vis the dollar and has retained its above par value in the rate exchange, making it one of the world's most stable notes practically overnight. The price-wage freeze has also been generally airtight, with certain seasonal adjustments in fruits and vegetables and new clothing lines, some service increases (e.g., medical costs), and an almost imperceptible amount of cheating. Argentine workers whom I have interviewed are quick to threaten to report a retailer if his prices are above the officially published price lists. The cost of living, for example, rose 1.9 percent in October, 1985, an unheard-of experience for Argentines who have even begun to deposit money in savings accounts at an interest rate of 3 percent a month, hitherto a foolish notion.

In November, 1985, a "forced savings" law went into effect, requiring families earning higher salaries and profit-earning enterprises to make bank deposits. Most of the

¹²The levels of Argentine self-employment (much of which is part of the thriving underground economy that has been estimated as 15 percent of the GNP) total approximately 28 percent of the economically active population compared to 9 percent in the United States.

¹³*Mercado*, August 29, 1985.

¹⁴*El Clarín*, October 7, 1985, p. 14 and *El Periodista*, no. 55 (September-October, 1985), p. 12.

2 percent inflation increase was at the retail and service level, since wholesale prices had risen only 0.7 percent. By late 1985, Argentina had achieved a relatively fixed exchange rate, a stable low interest rate and a stringent control of public expenditures aimed at lowering its federal deficit and freeing foreign and domestic earnings for servicing its huge debt, which is about 6 percent of GNP, an astronomical figure.

Despite the recognized austral success and the daily international accolades, the economic success story is not unlimited. The monetary stabilization reforms are meant to be an initial step in assuring continued, IMF-acknowledged borrowing power abroad and providing momentum toward a private-sector-supported and in part propelled industrial reactivation plan. It is also obvious that the Alfonsín stabilization plan attracts its greatest support from the industrial sectors and elements of the moneyed middle classes. The administration's monetary and fiscal policies are meant in the last analysis as a stimulus to private initiative as it pares down the role of the public sector. Included in its ambitious plans are a "Thatcher-like" privatization of some of the most costly public enterprises. None have been specifically named, but possible candidates include electricity, petroleum, gas, telephone service and airlines. It is not yet clear whether these companies will become private or mixed entities or whether the procedure will be through private bids, public auction, the sale of shares or employee cooperatives.

Although step one in the stabilization plan has been a success, step two is only in its initial phase. Some unintended consequences have intruded between steps one and two. Consumption is down in Argentina as a result of price stability. Argentine agricultural exports have substantially increased but international competition and prices have cut into Argentina's foreign earnings, although a weaker currency might have marginally stimulated export earnings.

Thus a mild recession was in place by August, necessitating a more rapid initiation of an industrial reactivation plan. The plan was released after the November elections as the cornerstone of Argentina's five year national development plan (1986-1990). Nevertheless, the economic slowdown jeopardized the popularity of the austral plan with the CGT trade unions; unemployment and underemployment reached 10 percent, their highest levels in 20 years, by August, 1985. Layoffs hurt the construction, textile, metal and auto workers unions. Compounding the wage freeze and the job losses, work-weeks were reduced and overtime was virtually eliminated in many industries. Working class real wages dropped approximately 30 percent between January and October, 1985, although more than two-thirds of the drop came before the austral reform which, not accidentally, froze wages at a relatively low level. Union figures have put the decline at 48 percent since January.¹⁴ Other trends since the wage-price freeze of June include second trimester

declines in gross national product, 3.4 percent, in gross investments, 14.2 percent, in consumption, 5.5 percent and in industrial activity, 13 percent.

Some of these negative indices translate into more starkly visible features. More and more children, dropouts from primary schools, are working part-time in markets and running other errands to help their unemployed or underemployed parents; some are begging, an unusual sight in Buenos Aires. A recent study by Alvaro Orsatti indicated that 8 percent of the Buenos Aires work force earn on the average 32 percent less than the legal minimum wage. Of these underpaid workers, 38 percent have had a secondary and/or university education and almost half work over 60 hours a week. These are not necessarily temporary workers; almost half have been on the job for over a year and one-fifth for over five years.¹⁵

THE UNIONS

Thus the CGT faces significant challenges. Under the leadership of Saúl Ubaldini, the recently elected general secretary, the CGT has mounted several impressive general work stoppages, the latest on August 29, when approximately 200,000 workers gathered on the wide 9th of July Avenue. Ubaldini represents the more militant sector of the trade union movement and has solidified his position vis-à-vis several other factions, among them the more traditional Peronist "62" wing under Metalworkers leader Lorenzo Miguel and another sector, under Jorge Triaca, known in the past as the group of "Negotiations and Work." Because of its mobilizational potential and its centralized control of the country's labor unions and their treasuries, the CGT is the only significant countervailing force on the left.

The Radical government has been slow to restore collective negotiating rights and thus to normalize a traditional union bargaining tool. So far, the Alfonsín government has also refused to restore the CGT's control of a portion of its workers' dues that is used to fund its major "social benefits" program (*obras sociales*), which includes a giant network of vacation hotels, sporting clubs and health clinics. This is reportedly worth \$2.5 billion yearly and is rumored to be a major source of union kickbacks and payoffs.

Although the CGT retains its role as a power center in Argentine politics, these next few years will require serious adjustments on the part of the labor leadership if the unions are to avoid becoming a secondary influence in public affairs. Several factors point to a potential weakening of the unions' ability to act as influential power brokers.

First, Argentina is steadily losing workers from labor-intensive industries and/or industries that are mechaniz-

ing, like textiles, construction, metalworks, automobiles, rubber, railways, and banking. Most of these jobs are lost forever; instead workers join small self-employment enterprises, many in the underground economy. Second, because of unemployment resulting from fiscal austerity, the unions have lost and will continue to lose bargaining power with regard to wages and working conditions; alternative sources of work are unavailable or require technical retooling of the work force—issues the unions have not yet fully addressed. Third, the Peronist ability to guarantee election victories is now in jeopardy and the 40-year-old party-union nexus is more tentative than before.¹⁶ The CGT will have to decide whether to resuscitate a weakened Peronist party (Partido Justicialista), go it alone in search of the best political bargain it can strike or, possible but unlikely, create an independent labor party.

Given the Argentine societal demography, all these choices are relatively unpleasant and promise the CGT a minority status in the near future. The unions have recognized their slowly weakening position, and they have been quick to compromise in order to maintain a modicum of employment. Circumscribed in its collective bargaining role, the CGT is also witnessing a deterioration of its once mighty political surrogate—the Peronist movement. Its November, 1985, congressional election defeat reemphasizes the fact that the Radical presidential triumph of 1983 was not an anomaly but part of a trend that does not augur well for Peronism.¹⁷

Peronism seems to have lost its way. Since the 1983 election, it has been floundering in search of a coherent, organized set of principles with which to counter Alfonsín's Radical party. The ideological contradictions, marches and countermarches that were tolerated and even orchestrated under Perón's baton no longer serve the movement.

Now a legitimate, unproscribed opposition force, Peronism is a conglomerate of factions in search of a binding political outlook. Given its national leaders, Peronism is still linked in the public mind to violence, political corruption and union collaboration with the military dictatorship. The defeats of 1983 and 1985 were a rude awakening that require a wholesale Peronist self-examination.

But since 1983, there has been a struggle for power among the Peronist factions rather than a thorough assessment of its ideological direction. Bureaucratic party machinations, bossism, challenged membership lists, and provincial interventions on the part of the national Peronist council have all served to highlight the future control of the party.

In the November elections, because of the plethora of party factions, a solid, consistent, issue-oriented Peronist campaign never developed. What emerged was a general critique of the IMF-imposed fiscal restraints combined with calls for a ten-year moratorium and a rescheduling of the debt payments, and a nationalization of the banking structure and foreign commerce. In addition, the Peronists spoke vaguely of Argentina's "colonial democracy,"

¹⁵Cited by Julio Nudler, *La Razón*, October 16, 1985, p. 26.

¹⁶See Mora Cordeu et al., *Peronismo, la mayoría perdida* (Buenos Aires: Sudamericana/Planeta, 1985).

¹⁷See "Peronismo, el fin?" *Unidos*, vol. 3, no. 6 (August, 1985).

its “dependency” status, the need for Congress to revise the austral plan and to judge those guilty of crimes during the dictatorship “without undermining the military institutions as such.”

It became evident that the Peronist groupings could not possibly reorder their priorities or unify by November. By mid-October, the various factions agreed only that a major reorganization and reunification attempt would have to be undertaken after the elections. Privately, they began looking beyond the elections, accepting their more precarious position as Argentina’s second political force.

Offering a more coherent critique on the “populist left” was the Intransigent party (Partido Intransigente—PI) another unrecognizable offshoot of the Radical party splits of the late 1950’s. Led by Oscar Alende, a charismatic ex-governor of Buenos Aires province, the PI was moving somewhat closer to the Peronists as the second force in Argentina. PI leadership is intellectually exciting. Although its November platform was similar in some respects to the Peronist position, the PI is a unified party and speaks with one voice.

The PI is severely critical of the “legitimacy” of the IMF agreements and advocates a moratorium until the new legislature can examine the debt interest payments in the light of Argentina’s economic and social needs. It proposes a series of measures to channel foreign and domestic banks into a new network under Argentina’s Central Bank, which would apply earned interest to domestic investment plans. In addition it advocates the nationalization of foreign trade in the form of producer-worker cooperatives. The PI also proposes a major progressive income tax and “democratic planning,” which would define those public enterprises crucial to society’s welfare and defend them from any “denationalization” effort.

On the far left is the unexpected electoral alliance People’s Front (FREPU), formed by the Communist party, the Trotskyist-oriented Movement Toward Socialism (Movimiento al Socialismo—MAS) and a revolutionary Peronist wing. Its program is most concerned with the plight of industrial workers under the austral reforms. The Front stands for the defense of nationalized enterprises against privatization, a debt moratorium, a full employment plan and the adjustment of deteriorated wage levels.

At the conservative end of the political spectrum stands the Union of the Democratic Center (Unión de Centro Democrático—UCD), led for over two decades (under a changing nomenclature) by Alvaro Alsogaray. This party represents the traditional landowners and large industrial class interests. It is the unmitigated free enterprise party that condemns Alfonsín as a latter-day democratic-socialist of the European variety. The party is critical of the judicial process against the armed forces, calling the trials “show trials” designed to undermine the institutional role of the military. Unsurprisingly, the UCD sup-

ports privatization of deficitary state firms and an end to wage-price controls, and calls for an easing of debt interest payments while stimulating exports as the only way to repay Argentina’s international obligations.

THE ELECTIONS

The November, 1985 elections emphasized Alfonsín’s surprising popularity. The Radicals, though declining somewhat in popularity since 1983 levels, remained the overwhelmingly dominant party, as the Peronists had been for 40 years. The Peronists were the big losers, falling further behind in its second-party status. The PI made the best relative showing, picking up votes particularly from the Radicals but also from the Peronist voters of 1983. The PI emerged as a serious third party with a clearly articulated left-center platform.

An election analysis reemphasized the fact that Peronism has lost its hold on the average Argentine voter. Its claims are strongest among the poorer, less educated and older male voters. On the other hand, typical Radical voters tend to be middle and upper class, middle-aged males and females with a secondary school education, whereas the PI shows major strength among young men and women, first-time voters and those who are university educated.

The elections have given President Alfonsín the mandate he needs as he pursues a slow de-freezing of wages and prices while continuing a modern industrial policy engineered in part by an impetus toward privatization. Like François Mitterrand in France, Alfonsín was elected by a predominantly left-center constituency. He moved to a center-right position with the implementation of the austral reforms when international financial exigencies apparently made this move the easiest alternative. Alfonsín remains the best liked, most trusted and respected politician in Argentina. Even his rabid opponents try to avoid attacking him, while challenging his party—a Reagan-like phenomenon unusual in Argentina.

Except for opponents of Argentina’s relationship with the IMF and Western banks, Alfonsín’s foreign policy has few critics. His even-handed policy toward both East and West is popular. His criticisms of West European government farm subsidies have been echoed by other third world countries, who also approve his focus on the need to adjust the ever more prejudicial terms of trade between North and South.

Alfonsín’s trips to the United States and West Europe have been well covered by the international press, particularly his discussions with Mitterrand regarding European protectionism. His September and October meetings in Paris and Madrid with British opposition leaders

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Peter Ranis, a senior Fulbright researcher in Argentina, is the author of *Five Latin American Nations: A Comparative Political Study* (New York: Macmillan, 1971) and many articles on Latin America and the Caribbean.

BOOK REVIEWS

ON LATIN AMERICA

By **Mary M. Anderberg**,

Consulting Editor, *Current History*

ECONOMIC POLICYMAKING IN MEXICO: FACTORS UNDERLYING THE 1982 CRISIS. By *Robert E. Looney*. (Durham, NC: Duke University Press, 1985. 309 pages, tables, notes, bibliography and index, \$37.50.)

Professor Looney provides a valuable analysis of the Mexican economy during the 1970's and outlines the causes of the 1982 economic crisis: Mexico's unfavorable balance of payments, accelerated inflation, high external debt, and a devalued peso. These conditions were created in large part by a "series of ill-fated policies undertaken during the Echeverría and López Portillo administrations."

Echeverría's fiscal policy failed, because he promoted social reform without establishing an adequate tax base. López Portillo's unsound economic policies, directed by Finance Minister Ibarra Muñoz, resulted in an inflationary upsurge that adversely affected the standard of living of most Mexicans. Accelerated economic growth did not result in a more equitable distribution of wealth but favored the concentration of wealth, while the cost of growth was reflected in the decline in real salaries. The social costs were severe and the Mexican people will suffer the consequences for years to come.

Looney deals in depth with López Portillo's stabilization, industrial and fiscal policies; he also examines the problems of an oil-based economy and consumption, savings, investment and production policies in the non-oil economy. The ramifications of International Monetary Fund stabilization policies are evaluated.

Looney predicts that the vitality of the Mexican economy will eventually overcome the crisis; meanwhile, there may be an even larger decline in the standard of living for a wide segment of the population. If unpopular reforms are delayed or watered down, recovery will be postponed.

NOTABLE FAMILY NETWORKS IN LATIN AMERICA. By *Diana Balmori, Stuart F. Voss and Miles Wortman*. (Chicago: University of Chicago Press, 1984. 290 pages, illustrations, appendix, notes, bibliography and index, \$27.00.)

In Hispanic societies, the term *notable* is bestowed on families that exert social, economic and political influence. The authors of this study believe that Latin American history from 1750 to 1900 can be better understood through an examination of the family networks that developed in Latin American society during that period.

These associations of families were forged through marriage and business relationships. Mercantile families were allied with landed families; landed families married into families with capital and urban properties, or into military families that might have access to new lands opening for settlement. Family networks extended their power into the governments of town, city and nation. They created political parties and determined what opposition would be allowed; and they made sure that whatever the outcome, power would remain in the hands of the family network.

In three case studies, family networks in three different Latin American societies are examined: in "backwater Guatemala," where privileged families who had maintained their position since the time of the conquistadores had to deal with changes brought about by the commercial revolution of the late eighteenth century; in northwest Mexico, where new Hispanic colonizers established mining operations, haciendas and commercial trade far from the central government; and in the port city of Buenos Aires, which was opened and expanded by new Spanish and European merchant immigrants.

In Guatemala, free trade allowed the notable families to reap great wealth by trading indigo and silver for cheap English textiles. The powerful Aycinena family cemented a bond with its non-Spanish market and gained tremendous profits while destroying the indigenous textile industry.

In northwest Mexico, immigrants from northern Spain possessed strong entrepreneurial skills. Unfettered by the central government, the energetic immigrants took control of the region. The notable family networks of northwest Mexico maintained their dominance of economic, social, political and cultural affairs until the Mexican Revolution. Their poor relations became the new politicians of the revolution and formed the core of the Sonoran dynasty that controlled the Mexican presidency from 1920 to 1934.

In Argentina, family networks were completed in three generations: the first generation were traders; the second generation were estancieros with cattle or sheep ranches, and the third generation were financiers, bankers, politicians, railroad or corporate executives. Family network power in Argentina was unchallenged until a military coup in 1930; it was finally checked by Perón in the 1940's.

UNIONS AND POLITICS IN MEXICO: THE CASE OF THE AUTOMOBILE INDUSTRY. By *Ian Roxborough*. (New York: Cambridge University Press, 1984. 207 pages, tables, map, notes, bibliography and index, \$39.50.)

Professor Roxborough's study raises questions

about the commonly held theory that corporatist control over labor in Mexico—and perhaps in other Latin American and third world countries—results in the cooption of rank-and-file insurgency and acts as a check on challenges to political stability. His study reveals a pattern of persistent worker militancy and insurgency in Mexico during the decades since corporatist control was established in 1931. He predicts that rank-and-file militancy in Mexico's unions is not likely to disappear. Although he does not discount the possibility that the government may resort to authoritarian measures to control labor militancy, he believes there are alternative courses available.

THE LAST TWO YEARS OF SALVADOR ALLENDE. *By Nathaniel Davis.* (Ithaca: Cornell University Press, 1985. 479 pages, maps, notes and index, \$24.95.)

As United States ambassador to Chile from 1971 to 1973, Nathaniel Davis was a witness to and participant in the turbulent events that preceded the 1973 coup against Allende and led to the Chilean President's death. He believes the toppling of the Allende regime has taken on an international symbolic meaning; the coup was "traumatic" for many peoples, supporters of Eurocommunism and Americans included.

Ambassador Davis's book focuses on two questions: what developments in Chile caused the coup? what was the role of the United States in the sequence of events leading to the coup?

He describes the political turmoil in Chile, Chilean relations with Cuba and the Soviet Union, the United States Chilean policy and tension between the United States Central Intelligence Agency, the State Department and the United States embassy. He details how the CIA Track II effort to topple Allende was hatched, declined and died. He gives an account of the last days of Allende and examines the question of whether he was assassinated or committed suicide, analyzing each of the various versions of Allende's death.

LATIN AMERICAN DEMOCRACIES: COLOMBIA, COSTA RICA, VENEZUELA. *By John A. Peeler.* (Chapel Hill: The University of North Carolina Press, 1985. 193 pages, tables, notes, references and index, \$24.00.)

In his study of the development of liberal democratic regimes in Latin America, Peeler points out that no such regimes existed in Latin America before 1900. In the late eighteenth and nineteenth centuries, liberal theories led to the limiting of authority and the reducing of the state's economic role in the United States and in the countries of northern Europe; no similar trends were found in the Iberian world. Instead, the centrist tradition dominated Iberoamerica.

When the Latin American nations gained their independence, they established constitutional governments with the "expectation" of periodic elections, but every-

where class relationships remained unchanged; a small landed and commercial elite dominated and exploited the majority.

Peeler traces the emergence of liberal democracy in Colombia, Costa Rica, and Venezuela and points out that in all three states the establishment of democratic regimes was made possible by agreements of accommodation among rival elites. He believes that democracy has been maintained in these countries because rival parties and interests recognize the need for continuing accommodation. He thinks that the main threat to the liberal democracies is coming from the right, which fears that increasing popular political mobilization will lead to destabilization of the economic and political order.

MEXICO: A HISTORY. *By Robert Ryal Miller.* (Norman: University of Oklahoma Press, 1985. 414 pages, illustrations, maps, tables, glossary, bibliography and index, \$19.95.)

This well-written, tastefully illustrated history of Mexico surveys the social, cultural and political climate of the ancient Indian civilizations, the colonial period, and nineteenth- and twentieth-century Mexico. The inclusion of many contemporary accounts of witnesses to each era adds color and dimension to this brief history, which should appeal to the general reader as well as the college student.

LATIN AMERICA: A CONCISE INTERPRETIVE HISTORY. 4th Edition. *By E. Bradford Burns.* (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1986. 374 pages, maps, illustrations, chronology, glossaries, supplementary readings and index, \$18.95, paper.)

In updating his popular Latin American history, Burns has added new material on the problems of underdevelopment and new sections on instability in Central America, the United States role there, the impoverishment of the Caribbean, and the Nicaraguan revolution. In addition, the connection between the expanding international debt and the diminishing ability of the area to feed itself is explored. This edition includes a chronology of important dates in Latin American history.

TOWARDS AN ALTERNATIVE FOR CENTRAL AMERICA AND THE CARIBBEAN. *Edited by George Irvin and Xabier Gorostiaga.* (London: George Allen & Unwin, 1985. 273 pages, tables, notes and index, \$27.50, cloth; \$12.50, paper.)

The essays in this volume, revised versions of papers presented at a policy workshop on Central America and the Caribbean held in June, 1983, discuss the geopolitical crisis and prospects for a new economic, political and social order in the area. United States policies in Central America and West European responses to the revolutionary developments in the Caribbean are examined.

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EL SALVADOR

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able. The guerrillas insist on sharing power in a provisional government, in effect scrapping the new constitution and beginning a new political process. They insist on holding on to their guns and their territory until the FMLN and the government army are integrated. The guerrillas fear that if they were to give up their guns they would be massacred, and they are probably right. At his July news conference, Villalobos reiterated there are no circumstances under which the FMLN will willingly lay down its arms.

The government's position is that its own legitimacy has been ratified through three free elections and the establishment of a constitution. It asks the guerrillas to surrender their arms and has repeatedly urged them to participate in the elections through the MNR and the National Democratic Union (the front for the PCES); both have been officially inscribed political parties for many years. The FDR counters that their candidates would be cut down by right-wing death squads, which have indeed become increasingly active, and they doubt that the Central Election Council would give them fair treatment.

Thus, with the rebels unable to reject violence, and the government unable to deal with them unless they do, the impasse remains. Before peace can be negotiated, one side or the other will have to become so seriously weakened that it must, in essence, surrender conditionally to the other. That situation is clearly a long way down the road.

THE ROLE OF THE UNITED STATES

If the United States had not taken a major role in El Salvador, the war would probably have ended by 1984 with a rebel victory. Although there are probably no more than 100 United States personnel training the Salvadoran armed forces in El Salvador at any one time, there has been a great deal of training at military bases in the United States and, for a while, in Honduras. This training has proved invaluable. It has broken the army's old habits of conducting a nine-to-five war and knocking off for weekends, and has taught it to use small unit tactics and night patrols. But the training has been less significant than the United States-supplied firepower. Over the last two years, this has included aerial weapons ranging from sophisticated helicopter gunships to ancient C-47's outfitted as gunships. Much other equipment has been supplied. The role of United States surveillance aircraft operating out of bases in Honduras and using sophisticated radar and electronic and heat-seeking devices to spot the activities of the rebel army cannot be overlooked.

In monetary terms, United States intervention has been impressive. In 1983 and 1984, the United States

contributed a total of \$400 million dollars each year in economic and military assistance. By January, 1985, the United States Congress had approved \$326 million in economic aid and \$128 million in military aid for fiscal 1986, but the total aid was expected to reach \$625 million, about equally divided between economic and military assistance. In addition, the United States uses its considerable influence with international banking institutions like the World Bank and the Inter-American Development Bank (IDB) to secure massive loans at favorable rates for El Salvador. The IDB, for instance, intends to lend the country \$400 million between 1985 and 1987.⁶

But this massive assistance has not created prosperity. Even if there were no civil war, the Salvadoran economy would be in shambles. The prices of its principal exports, coffee, sugar and cotton, have remained low since the late 1970's and, despite all the killing, the population continues to grow at an alarming rate. The disastrous economic situation, combined with the war, has given the United States an overwhelming influence. The three relatively free elections of recent years could hardly have succeeded without American arm-twisting, nor would the military, traditionally hostile to the Christian Democratic party, have accepted PDC victories in the last two elections without the United States presence. While there is undoubtedly much resentment in both political and military circles, the virtual United States veto power over El Salvador's internal and external policies remains a fact of life.

If the United States is vital to the government of El Salvador, the maintenance of that government and the successful prosecution of the war are seen by the administration of President Ronald Reagan as vital to United States interests. This is not because the United States has any heavy economic involvement; very few North American firms are active in El Salvador. Rather, the tiny republic is seen by the United States as a vital strategic link in the region. The United States believes that the triumph of the FDR-FMLN would probably have a serious impact on Guatemala, whose government has been fighting a guerrilla war for decades, and on Honduras, another United States client state that borders both El Salvador and Nicaragua. Thus the domino theory is alive and well in Washington, and tottering El Salvador cannot be allowed to fall. If the FMLN were ever to appear close to victory there is little doubt that the United States would intervene with massive military force.

Still, events in El Salvador have defied prediction so often that speculation is risky indeed. Only one conclusion seems absolutely certain: the prospects for this tiny, overpopulated, underdeveloped and war-racked land are dim indeed and, if anything, are growing dimmer. ■

CUBA

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regime are jeopardized by multiple threats to Sandinista rule, and because the political and military prospects of

⁶This *Week Central America and Panama*, January 28, 1985; *Central America Report*, July 26, 1985.

the Salvadoran guerrillas are anything but promising. In effect, pressures on Cuba's allies, especially the Sandinistas, could force Castro to deepen Cuba's support for them and thus increase the risks of greater exposure. Cuba is in no position to guarantee Managua's security should it be seriously compromised, because what Cuba wants least of all is a military confrontation with the United States. In addition, since the Sandinistas' ineptitude has alienated influential Latin American and European governments without markedly improving the Soviet Union's confidence in Nicaragua, Cuba's relations with Europe and Latin America are affected by what happens in Managua. Cuba's patronage of the Sandinistas extends into areas where Soviet influence is limited, but Castro cannot afford to give the Sandinistas much more aid than the Soviet Union. As Nicaragua's only diehard supporter, Cuba is aware that Managua's isolation increases its own burdens and strains its relations with key regional governments. However, since Cuba cannot afford to be perceived as reducing its assistance to Nicaragua, it must defer any improvement in relations with other Latin America nation's until the situation in Nicaragua clarifies. And a resolution is not around the corner.

There is a recurring dilemma in Cuba's regional policies; namely, are Cuba's objectives driven by revolutionary imperatives, or by the prospect of improving Cuba's standing as a Latin American nation? If Cuba aggressively promotes revolution and destabilization in Central America, it cannot convince other governments of its willingness to play more or less by the rules of the game. On the other hand, if it fails to heed the call for support from radical elements committed to armed struggle, then it undermines its quixotic, anti-imperialist credentials. For Cuba, the best of all possible situations would allow it to advance revolutionary causes without being perceived as a genuine threat by established governments. But in practical terms its thrusts are parried and subject to countermeasures.

A resolution of its conflict with the United States is not one of Cuba's priorities. This was evident in Cuba's suspension of the Cuban-United States agreement on migration before the ink was dry, and in its warning to the administration of President Ronald Reagan that "the Cuban people have resisted an aggressive policy for 25 years" and will continue "to resist as long as it is necessary."¹¹ Several reports from Havana in early 1985 indicated that the government was interested in expanding contacts with Washington. But when the Reagan administration charged that Havana promotes international terrorism, Castro characterized President Reagan as "the greatest terrorist in the history of humanity."¹² Thus the pattern of acrimony and vituperation pierced with an occasional thaw continues, and it is clearly affected by the intensity of the regional competition.

Finally, it is difficult to determine how Cuban-Soviet

relations will be affected by ongoing changes in the Kremlin's leadership, but there is reason to believe that Castro is dissatisfied with the Soviet Union's lukewarm embrace of the Sandinistas, and with the Soviet unwillingness to increase what are admittedly massive levels of economic assistance to Cuba. Castro has not met with General Secretary Mikhail Gorbachev, but that in itself is not an indication that relations are deteriorating. On the other hand, Castro's ritualistic apology for the Soviet invasion of Afghanistan, his view that "the Soviets are not to blame for the arms race," and his insistence that Cuba's dependence on the Soviet Union makes it "the most privileged nation of all," are signs that he still knows on which side his bread is buttered.

CONCLUSIONS -

Cuba finds itself on the defensive in Africa and Central America, but has somewhat improved relations with nations like Argentina, Ecuador and Brazil. It has seen the fortunes of the Salvadoran guerrillas plummet in the midst of bloody terrorism and unabated warfare, and the rise of opposition to the Sandinistas in Nicaragua narrows Cuba's own political choices. From Cuba's standpoint, the regional picture is unfavorable, a far cry from the early 1980's, when radical forces were on the march and the Marxist government of Grenada offered hopes for further expansion.

The reassertion of United States power in the Caribbean Basin is understood in Havana, where Castro's efforts to make political capital out of Latin America's indebtedness have struck a nationalist chord without producing major political explosions. In fact, Castro's call for regional unity is intended to force Latin American governments into a more assertive posture. Havana is still trying to fathom how changes in the Kremlin will affect its economic and security relationships with the Soviet Union, but common Cuban-Soviet interests preclude any dramatic change in the character of those relations. ■

MEXICO

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ed States tendency to see Mexican insistence on its modified one-party system as an anachronism contrasts uncomfortably with the Mexican regime's apparent belief that steering Mexico through major economic changes and even political flux requires close adherence to tradition and secure control.

During 1986, both Mexico and the United States will hover around the midpoints in their incumbents' administrations. By 1987, each nation's 1988 presidential campaign will be under way in earnest. Coincidences in the political calendar may underscore the interdependence of the two nations. Relatively little working time remains for better understanding between the two administrations as Mexico continues to grapple with the very difficult challenges it confronts. ■

¹¹ *Granma Resumen Semanal*, May 26, 1985, p. 1.

¹² *El País* (Madrid), July 15, 1985, p. 3.

NICARAGUA

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ro, fled into exile in December, 1984, but the paper continued to publish, despite official harassment and censorship. Its coverage was further limited by restrictions on newsprint, which limited all publications to 56 pages per week. In a meeting with journalists in September, President Ortega declared that it might be necessary to reduce this limit to 48 pages, then added that his government was "not so naive as to permit a liberty of press that could suffocate the revolution."¹⁹

Relations with the private sector continued to deteriorate in 1985, partly because of the massive economic crisis, partly because of political pressures. Enrique Bolaños, head of Nicaragua's Council of Private Enterprise (COSEP), was increasingly outspoken in his criticism of the Sandinistas, who responded by expropriating some of his agricultural properties. The government also banned a proposed Private Enterprise Day celebration in September and briefly arrested COSEP's leaders when they met to plan the celebration.²⁰

Relations between the government and opposition parties and labor confederations showed growing signs of strains. Some tension centered around the National Assembly, which was slowly putting together a new constitution, largely conforming to guidelines dictated by the Sandinistas. Virgilio Godoy, leader of the Independent Labor party and, until 1984, the government's minister of labor, spoke for much of this opposition when, in July, he declared that "the party that is ruling the country has not given the country any more freedom than we had before 1979," and added, "It looks as though the government has been trying to make enemies instead of friends."²¹

There was also evidence of mounting tensions within the Sandinista movement during 1985. In August, an emergency meeting of the FSLN National Assembly eliminated the party's political commission, replacing it with an executive commission made up of five of the nine ruling Sandinista commandantes. There were also changes in the Cabinet, with the health and justice ministers being replaced, and in the regional minister-delegates of the presidency.²²

ECONOMIC DISASTER

The Sandinistas' political problems were magnified

¹⁹*Rumbo Centroamericano*, October 3-9, 1985, p. 5.

²⁰FBIS, July 9, 1985, p. P 15, and September 9, 1985, p. P 22; *Rumbo Centroamericano*, April 4-10, 1985, p. P 6; *The New York Times*, June 18, 1985, p. 6.

²¹FBIS, July 19, 1985, pp. P 24-25.

²²*Mexico and Central America Report* (London), August 16, 1985, p. 1. *Rumbo Centroamericano*, August 8-14, 1985, p. 6.

²³*Central America Report*, May 3, 1985, p. 123; June 7, 1985, pp. 165-166; June 28, 1985, p. 187; *Central America Report*, "Special Report: The Recent Evolution of the Nicaraguan Economy," September 20, 1985.

²⁴FBIS, September 25, 1985, p. P 17, and October 4, 1985, p. P 8; *The New York Times*, February 18, 1985, p. 1.

by the growing national economic disaster. The per capita gross domestic product (GDP) declined 5 percent in 1984, falling back to the disastrously low level of 1979. There are indications that the decline was even worse in 1985. The value of the cordoba has virtually collapsed, with even the government's parallel exchange house establishing a rate of 700 to the dollar. Unemployment appears to be increasing, and wages for those who are employed have failed to keep pace with inflation. Government subsidies for many products have been reduced and what subsidized foods are available are severely rationed. Clothing is scarce, and prices are virtually prohibitive. Wages are controlled by the government, which in May 1985, raised the monthly minimum wage for rural workers to 3,500 cordobas and for urban workers to 4,500 cordobas. Top-level managers may earn as much as 28,900 cordobas, or the equivalent of just over \$41 a month at the parallel exchange rate.²³

On the international front, Nicaragua's total debt passed \$4 billion. In March, Nicaragua became the first nation ever to fall six months behind in repaying World Bank loans. Negotiations with commercial banks in June, combined with the payment of \$3 million, averted total default, but Nicaragua remains among the poorest credit risks in the world. The projected decline in the value of exports for 1985 to only \$340 million, combined with the commitment of 40 percent of the budget to defense, will only exacerbate this problem.

The human costs of the economic decline have been horrendous. Not only are consumer goods vanishing from the marketplace, but such basic necessities as food and medicine are in increasingly short supply. Violence in the countryside has swelled the tide of migration to Managua, which grew from a city of 600,000 in 1979 to over 900,000 by early 1985. Urban transportation appears to be on the verge of collapse, and water and sewage systems are showing signs of severe strains; water in Managua is rationed for extended periods even during the rainy season. Health conditions, which the Sandinistas had long made a primary concern, are also a source of new problems, especially because an epidemic of dengue fever, previously unknown in Nicaragua, seems to be spreading rapidly.

All this has forced the Sandinista leadership to begin talking in terms of an economy of survival rather than of development.²⁴ The government blames the situation on "United States imperialism," the opposition blames it on the government, and economists cite a host of factors, including the world economic situation. For the average Nicaraguan, however, the issue is not so much assigning responsibility as it is seeking some means to survive until the seemingly endless crisis finally passes.

CONTADORA DISCUSSIONS

Strained relations between Nicaragua and its neighbors provide both the motivation for and serious obstacles to the mediation efforts of the Contadora group. The

Sandinistas have long blamed the United States for the failure of that effort to produce a final settlement. The credibility of their position, however, was weakened in June when they rejected the proposed agenda and walked out of a meeting of Contadora representatives and the Central American states because the other states would not discuss United States support for the contras. Nicaragua has found itself increasingly isolated within these meetings, with the other Central American nations often meeting and acting as a bloc. Guatemala has, at times, broken this pattern, striving to maintain an independent position, but this has been of limited benefit to the Nicaraguans.

Discussions were resumed in September, with yet another draft of a potential agreement presented, a draft that Nicaragua found less acceptable than previous efforts. Final negotiations were slated to begin on October 7, with 45 days allotted for reaching an agreement. If, as seemed likely, no agreement had been reached at the end of that period, it was possible that the entire effort might collapse. Such collapse would increase the danger that Nicaragua's civil conflict could be transformed into an international conflict.

The Sandinistas explained their October 15 decision to suspend most civil rights, including the right of assembly, freedom from arbitrary search and seizure and the right of appeal against judicial decisions by blaming United States efforts to destabilize their government, combined with "a plot by right-wing elements, the Church and businessmen to subvert order and carry out sabotage." The Reagan administration charged that the order proved that the Sandinistas were afraid of their own population and were determined to establish a total dictatorship. Whatever the motive, the decree further reduced the already dwindling support for the Sandinistas in the United States and West Europe, making them more rather than less vulnerable to future attacks.²⁵

In his October speech before the United Nations and in appearances on United States television programs, President Ortega tried to undo some of the damage produced by the suspension of civil rights. But it would take more than arguments with television's Phil Donahue to restore the image of Nicaragua's revolutionary leadership. Rebuilding a society turned out to be much more difficult in reality than in theory, and resisting pressures from the United States was becoming a struggle without end. The Sandinista revolution, justified in the name of restoring true sovereignty to Nicaragua, had succeeded only in transforming the nation into a pawn in the international game of power politics.²⁶ The revolutionary dream of transforming Nicaragua into a healthy, peaceful and prosperous society was submerged by the reality of a

collapsing economy and an increasingly bloody civil war. The Sandinistas were far from ready to "cry uncle" to the Reagan administration and its Nicaraguan allies, but they were in no position to end the efforts of those forces to overthrow them. Barring an unexpected breakthrough in the Contadora process or some similar peace-making effort, prospects were that 1986 would be at least as destructive for Nicaragua as 1985. ■

VENEZUELA

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with the police, and some wealthier neighborhoods purchased patrol cars to be used by the police in their areas.

New drug enforcement officers were trained, and international agreements with Brazil and Colombia facilitated some cooperation along the borders. The enforcement issue has been somewhat delicate at times because of indications that some military officers may be involved in the drug traffic. In October, 1983, a plane with a load of cocaine used an air force hangar at Caracas's La Carlota airport. The pilot was a former navy officer, and the copilot was an army commander who had responsibility for the region near the Colombian border.⁵

Enforcement efforts seem to be paying off. Increased police efficiency, however, only accentuates the inefficiency of the judicial system. Venezuelan penal expert Elio Gómez Grillo reports that Venezuela has one of the highest prison populations in the world, most of whom had not yet been sentenced in late 1985 because of the backed-up court dockets. The presidential commission on state reform has designated judicial reform as a priority area.⁶

Health care and education also need improvement. The illiteracy rate—12 percent—is relatively low, but it represents 1.2 million adult illiterates. In September, 1985, Lusinchi announced the creation of a National Literacy Council that would coordinate public and private efforts to teach 600,000 adults to read and write in the next three years. In 1985, the United Nations Educational, Cultural and Scientific Organization (UNESCO) recognized Venezuela's previous literacy efforts with an award. The problem may be impossible to resolve, however, if the schools cannot stem the high drop-out rate; the minister of education estimated that over 2 million children between the ages of 4 and 15 were not in school in 1984. Some schools, like hospitals and urban buses, have become nearly unusable because of improper or nonexistent maintenance.

Hospital administration has been especially deficient. Petty thievery and poor management contribute to chronic shortages of medicines and supplies. The number of hospital beds per 1,000 citizens is a satisfactory 2.7, but there is a relatively high cost per bed per day, especially in public hospitals. Distribution of personnel is skewed;

²⁵*The Economist* (London), October 19, 1985, p. 50; *St. Louis Post-Dispatch*, October 22, 1985, p. 1B.

²⁶President Reagan's declaration that Nicaragua would be among the issues he intended to raise at the November, 1985, Geneva summit was a further reflection of this situation.

⁵*Latin American Weekly Report*, February 10, 1984.

⁶*El Nacional*, September 17, 1985.

there are more doctors per 1,000 citizens (1.2) than nurses (0.7).⁷ Health budgets have dropped in recent years, and some important areas of preventive medicine have been neglected. One result has been a new outbreak of malaria, which had been virtually eradicated. In 1983–1984, there were 10,876 new cases reported, an increase of 29.5 percent over the previous year. Lusinchí has pledged a greater commitment to health care and has raised slightly the budget allocations for the Ministry of Health and Social Assistance.

Lusinchí's political reputation and the outcome of the 1988 presidential race may well rest on his ability to broaden these modest social investments. Critics point out that even the current "crisis" budgets of Bs107 billion far exceed the Bs5 billion budgets of 25 years ago. There is a feeling that government and the political system should be performing better, but there is some uncertainty as to the root problem: is it the political parties and the patronage system? the power and self-interest of business groups? the demands and irresponsibility of labor? the nature of the Venezuelan population? excessive centralization of power in Caracas? With the nearly moribund state of leftist parties and COPEI after AD's strong victory in 1983, at least the short-range analyses and solutions must come from Lusinchí's party.

AD is also divided, a division based on personalities, political strategies and the identification of the party. To date, party leaders and philosophies have been drawn almost exclusively from the founding generation and people close to them. Men like AD president Gonzalo Barrios, Octavio Lepage and Luis Piñerúa continue to support a vision of a multiclass political coalition held together by patronage and balancing of interests, party discipline, and a moderately progressive nationalism. As he begins his campaign for the presidency in 1988, former President Carlos Andrés Pérez represents a dramatic and perhaps unrealistic and irresponsible populism. Intellectual Juan Liscano recently aimed a scathing newspaper editorial on the dangers of charisma at Pérez and concluded, "Politics now makes me sick."⁸

Pérez's general popular appeal does not extend to the AD party leadership which, nearly to a man, opposes his nomination. Whether or not Pérez can gain control of some of the AD party machinery in the internal elections that will conclude in November, 1985, he will be a factor for AD and for Lusinchí to contend with in the next three years. A third force in AD at the moment is the labor sector. With a labor leader as secretary general and with Delpino's mild steps toward greater CTV autonomy, some observers speculate that AD could veer more

strongly toward an identification as a labor party.

Moisés Naím and Ramón Piñango charge that Venezuelan leaders have frequently been more concerned with grand models than with *carpintería* (carpentry).⁹ In his first 20 months in power, there is some indication that Lusinchí's team is quietly attending to some details of *carpintería*. If they can continue to do so efficiently and with perceived fairness to all sectors, then perhaps even an earthquake of falling oil prices will not shake the national or the party structure. If Lusinchí cannot or will not achieve the "extraordinary" administration that will lead to a real social democracy, future choices may be narrowed to a last-ditch charismatic populism or to greater police presence to control social unrest. Many Venezuelans remain optimistic that sensible planning with attention to Venezuela's real—rather than imagined—situation may yet avert a true crisis and open the way to a reasonable postpetroleum future.¹⁰

UNITED STATES POLICY

(Continued from page 4)

the Sandinista regime, it had counterproductive consequences. Rather than reducing Nicaragua's military buildup, it exacerbated it. Rather than reducing Nicaragua's military ties to Cuba and the Soviet Union, it enhanced them as the Sandinistas looked eastward to acquire necessary war materials. Rather than nourishing political pluralism inside Nicaragua, the policy of pressure diminished pluralism by polarizing internal politics and transforming the internal opposition into a fifth column on the side of the contras. Thus the administration policy was one of high risk: if it failed to depose the Sandinistas, it would almost certainly fulfill its own prophecy by turning Nicaragua into another Cuba. The alternative was some type of negotiated solution.

CONTADORA

The Contadora peace process led by Mexico, Venezuela, Panama and Colombia remained the major hope for a negotiated settlement of international tensions in Central America in 1985. These four nations came together originally on the Panamanian island of Contadora in January, 1983, to launch a diplomatic initiative designed to forestall direct United States military intervention in the region. By the end of the year, they had convinced the five Central American nations to sign a Document of Objectives specifying in principle the elements to be included in a regional peace treaty.

The most important points were: a prohibition on support for insurgencies against neighboring countries; prohibition on foreign military bases; a phased reduction of foreign military advisers; limits on conventional military forces; and the need for national reconciliation among conflicting political groups within each nation.

A year later, in September, 1984, the Contadora nations presented a draft treaty to the Central American states spelling out the implementation of these points. The

⁷Augusto Galli and Haydee García, "El Sector Salud: radiografía de sus males y de sus remedios," in Naím and Piñango, op. cit., pp. 452–471.

⁸*El Nacional*, September 5, 1985.

⁹Naím and Piñango, op. cit., p. 551.

¹⁰See, for example, Ramón Escovar Salom, "Apertura hacia el futuro de Venezuela," *Cuadernos Lagoven*, Serie Siglo 21 (1985).

initial reaction of the Central American states most closely allied with Washington were positive. Then Nicaragua surprised everyone by agreeing to sign the draft treaty without revision, and the Reagan administration pressed its allies in the region to reverse themselves and declare the draft treaty unacceptable. Honduras, El Salvador and Costa Rica did so, forcing the Contadora nations to withdraw the draft for revision.

The Reagan administration's opposition to Contadora was twofold. On the one hand, a Contadora agreement that excluded any foreign military presence from Central America would require drastic changes in the United States military posture—especially in El Salvador and Honduras, where there were hundreds of United States advisers and a variety of installations used by United States military and intelligence forces. The United States was not willing to concede that its military presence in the area was equivalent to the Cuban or Soviet presence in Nicaragua, and hence was not prepared to trade its withdrawal for theirs.

But the more important United States objection to Contadora concerned Nicaragua itself. A successful Contadora agreement would prohibit Honduras and Costa Rica from sheltering the contras. Since the contras had proven incapable of sustaining themselves inside Nicaragua without secure rear bases across the border, the elimination of those bases under a Contadora agreement would mean the eventual disappearance of the contras. Acceptance of Contadora, therefore, meant acceptance of the Nicaraguan revolution, which the Reagan administration was by no means willing to concede.

Despite the administration's displeasure, Contadora was widely hailed in Congress and among United States allies worldwide as the best hope of peace in Central America. This posed a political dilemma for the administration, which did not wish to be seen as opposing peace but did not wish to give up the option of waging war. Through 1985, the administration's solution was to declare its support for Contadora publicly while acting behind the scenes through its regional allies to block progress.

The Contadora nations themselves were increasingly frustrated by United States opposition and their consequent inability to broker an agreement. Within each of the four, conservative political forces demanded that the Contadora process be terminated rather than allowing it to strain bilateral relations with the United States. This was especially true in Mexico, where the debt burden and the economic consequences of the earthquake in September, 1985, made the government especially vulnerable to pressure from Washington. In an effort to counterbalance United States pressure, Brazil, Uruguay, Peru and Argentina formed a Contadora Support Group (Grupo de Apoyo), but what it might do beyond providing morale support for the "core four" Contadora nations was unclear.

¹⁰*Washington Post*, June 8, 1985.

During President Reagan's first term, Latin America's foreign debt was not high on the administration's policy agenda. The President's prescription for the debt problem was much the same as his prescription for domestic economic ills—minimize government interference and let the "magic" of the market solve any disequilibrium. Only when major Latin nations like Mexico or Argentina verged on default did the administration make a concerted effort to help them reschedule payments, and even then it did so strictly on a case by case basis without developing a broader long-term policy to address the global problem.

In 1985, a variety of factors converged to force the administration to revise this stance. The slowdown of economic growth in the United States reverberated through the economies of Latin America as the United States export market failed to expand fast enough to sustain healthy rates of growth in the rest of the hemisphere. Unconvinced of Latin America's ability to repay its debts, United States commercial banks were reluctant to lend additional funds. The only new capital that entered the region from private banks came from big banks already so heavily exposed that new loans were their only hope of recouping old ones. In 1984, interest payments on outstanding loans so outstripped new capital that Latin America suffered a capital drain of \$27.6 billion.¹⁰ Sluggish growth and a shortage of new capital left many Latin American debtor nations (among them Mexico, Brazil, Argentina, Peru and the Dominican Republic) with impossibly high debt payments (in some cases near or above 50 percent of export earnings).

Historically, the International Monetary Fund was created to assist nations with short-term financial problems. But the IMF is notorious for its insistence on "stabilization agreements" in which the recipient government agrees to a program of fiscally conservative domestic economic policies designed to restore financial equilibrium. Almost inevitably, such measures include reductions in government spending and currency devaluation that result in domestic economic contraction, which falls hardest on lower income groups.

Austerity is never politically popular, but in Latin America in 1985 it seemed especially explosive. The mid-1980's were the years of "redemocratization" in South America; military dictatorships gave way to democratically elected civilian governments in Brazil, Argentina, Uruguay, Bolivia and Peru. All the new civilian governments were wary of the political unrest that severe economic austerity could produce, and all were aware that unrest could quickly bring a return to military rule. Newly elected President Alan García of Peru spoke for many other civilian Presidents in the region when he declared the burden of debt intolerable, and announced that Peru would spend no more than 10 percent of its export earnings on debt payments.

President Fidel Castro of Cuba began urging Latin Americans to join together and repudiate the debt—a

development that may have prompted the Reagan administration to devote serious attention to the debt problem. The idea of a debtors' cartel to negotiate easier payment terms did not originate with Castro; it had been discussed on several occasions by Brazil, Argentina and Mexico, but nothing had come of it.

At the 1985 annual joint meeting of the World Bank and the IMF held in Seoul, South Korea, the Reagan administration for the first time proposed a broad-gauged policy to deal with the problem of third world debt. The essence of the United States proposal was to create a special World Bank fund designed to provide "structural adjustment" loans to debtor nations and to stimulate a revival of commercial lending. That the United States was addressing itself to the debt problem in a systematic way rather than continuing its ad hoc, country-by-country approach was clearly an advance over previous policy. Yet this new approach did not deviate from President Reagan's orthodox enthusiasm for unfettered capitalism. As with IMF stabilization programs, the new World Bank loans would come with strings attached: borrowers would have to agree to follow market-oriented domestic policies, even to the point of selling state-owned enterprises. They would also have to accept some austerity measures like those imposed by the IMF.

In short, the Reagan administration's new willingness to work through international financial institutions to solve the debt crisis probably meant that capital would be more easily available for debtor nations. But the political dynamite of austerity was by no means defused; on the contrary, the new United States approach posed many of the same political dangers as the existing policies of the IMF. And it remained to be seen whether the Reagan administration could keep its attention focused on the debt problem as long as the crisis in Central America continued to boil. ■

ARGENTINA

(Continued from page 33)

Neil Kinnock of the Labor party and David Steel of the Liberal party represented a skillful attempt to soften British Prime Minister Margaret Thatcher's hard-line attitude toward the sovereignty of the Malvinas Islands. Alfonsín made it clear that Argentina was prepared to negotiate on any and all issues with regard to British-Argentine claims. Meeting with Kinnock and Steel, he was able to put the Malvinas question back into the British political debate before the next elections scheduled before 1989.

CONCLUSION

Alfonsín has now been in office close to 800 days, far surpassing Isabel Perón's 620 days of rule, and making him the longest governing elected President in 20 years. This fact alone makes Alfonsín the symbol of democratic institutionalization in Argentina.

¹⁸*La Razon*, September 19, 1985, pp. 28-29.

With the exception of the "interregnums" of Juan Perón, corporate Argentina and not the political party structure has dominated political power. Power has usually been shared, if unequally, by the agro-industrial interests and the military and, to a lesser extent, the CGT. Because the military establishment is in retreat, the agro-industrial class has been decimated by years of corruption and the CGT apparatus has had difficulty adjusting to technology advances, the Alfonsín government has been able to enjoy an unprecedented ascendancy.

But all is not well within Argentina. Argentina owes so much in interest payments alone, that no matter how much it earns via a vigorous export sector, all new funds will merely find their way into the asset accounts of North American banks. What is more, the debt burden forces the Argentine government to make certain choices. Almost invariably these choices make life harder for the Argentine worker, because governments persist in IMF-sanctioned austerity policies. Today, constitutional-legal development in Argentina provides relief for those primarily concerned with political rights and democratic procedures, but offers less help for the poor.

A second question remains. The debate over the military trials focuses on military culpability. But few politicians in Argentina consider debating in public the "criminality" or the "constitutionality" of overthrowing a civilian government in the first place. Until this debate takes place and until there is a deep structural reform of the armed forces, the 1985 trials may go down in history as only a footnote in the continuing Argentine saga of military authoritarianism.

Moreover, what of those civilians who invited or stimulated military intervention or collaborated with the atrocities? What historical lessons have they learned? What conclusions will be drawn by the Argentine people? In wrapping up the government's case against the junta, Prosecutor Julio Strassera said:

It is not the military that sit as accused, but specific people who are charged with specific crimes. It is not the military honor which is at stake, but precisely such acts abhorrent to military honor. It would not serve this condemnation to defame the armed forces, but rather to point out and exclude those who dishonor [the military] by their conduct.¹⁸

This debatable proposition must be addressed by Argentina's civilian politicians. ■

BOOK REVIEWS

(Continued from page 35)

LATIN AMERICA, 1979-1983: A SOCIAL SCIENCE BIBLIOGRAPHY. By Robert L. Delorme. (Santa Barbara, CA: ABC-Clio Information Services, 1984. 224 pages, \$45.00.)

This is a comprehensive bibliography of over 3,500 books, chapters and articles on Latin America published between 1979 and 1983. Most of the works cited are in English, but some Spanish and Portuguese publications and writings are included. ■

THE MONTH IN REVIEW

A Current History chronology covering the most important events of November, 1985, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Arms Control

(See also *U.S.-Soviet Summit*)

Nov. 7—Talks between the U.S. and the Soviet Union end in Geneva; they will resume January 16, 1986.

European Economic Community (EEC)

(See *U.S., Foreign Policy*)

General Agreement on Tariffs and Trade (GATT)

Nov. 28—GATT unanimously votes to name a special panel to create a program for a new round of international talks on liberalizing trade; at the request of the U.S., the talks will emphasize international trade in services.

International Terrorism

(See also *Italy; U.S., Foreign Policy*)

Nov. 23—An Egyptian airliner leaving Athens, Greece, with 98 people on board is hijacked by 3 Arabic-speaking men who say they belong to the group Egypt's Revolution. The plane is forced to land in Malta for fuel.

Nov. 24—The hijackers begin executing passengers. No political demands are made.

Egyptian commandos storm the plane; in the ensuing firefight and fire, 2 of the hijackers and 57 passengers are killed.

Nov. 25—Palestinian officials in Beirut say that the hijackers were members of a group headed by Abu Nidal, a pro-Libyan Palestinian who broke with the Palestine Liberation Organization in 1973.

Nov. 26—In Cairo, Egyptian President Hosni Mubarak says that Libya was clearly responsible for the hijacking.

Nov. 27—The medical chief of St. Luke's Hospital in Valletta, Malta, says that most of the victims of the plane hijacking died from smoke inhalation; an investigator in the case says the fire in the plane was caused by the bombs used by the commandos to gain entrance to the jet.

Iran-Iraq War

Nov. 14—Iraq reports that its planes bombed a steel plant and an oil-pumping plant in Iran today; 5 Iranians are reported killed in the attacks.

Nov. 19—Iraqi jets bomb Iran's Kharg Island oil terminal; a Norwegian tanker is hit by an Iraqi missile in the attack.

North Atlantic Treaty Organization (NATO)

Nov. 21—U.S. President Ronald Reagan meets with NATO leaders to discuss the U.S.-Soviet summit meeting.

United Nations (UN)

Nov. 5—The General Assembly votes 114 to 21, with 16 abstentions, to pass a resolution calling on Vietnam to withdraw from Kampuchea (Cambodia).

Nov. 11—A meeting of the UN Educational, Scientific, and Cultural Organization (UNESCO) ends in Sofia, Bulgaria; Director General Amadou-Mahtar M'Bow refuses to say whether he will resign before his term ends in 1987.

Nov. 13—The General Assembly approves a resolution calling for the immediate withdrawal of "foreign" troops from

Afghanistan; the resolution does not mention the Soviet Union.

U.S.-Soviet Summit Meeting

(See also *U.S.S.R.; U.S., Foreign Policy*)

Nov. 21—U.S. President Reagan and Soviet General Secretary Mikhail Gorbachev end their 2-day summit meeting in Geneva; they release a joint statement saying that they will hold more talks on a regular basis. During the talks, the 2 leaders agreed to renew cultural and academic exchanges and to open new consulates in New York and Kiev.

Warsaw Pact

Nov. 21—Soviet General Secretary Gorbachev meets with the other Warsaw Pact leaders in Prague to discuss his summit meeting with President Reagan.

AFGHANISTAN

(See also *Intl, UN*)

Nov. 4—A Soviet soldier leaves the U.S. embassy in Kabul after he receives assurances from Soviet authorities that he will not be punished; on November 2, Afghan government soldiers ringed the embassy demanding that the soldier be released to them.

ANGOLA

(See also *U.S., Foreign Policy*)

Nov. 15—National Union for the Total Independence of Angola (UNITA) guerrillas claim they killed 13 Soviet personnel and wounded others when they bombed a Soviet compound at Huambo.

ARGENTINA

Nov. 4—In congressional elections, the ruling Radical party wins 43 percent of the vote.

Nov. 11—In the trial of 16 military officers accused of crimes committed under the military government, the prosecution asks for sentences of 8 to 12 years in prison for the 3 former junta leaders among the 16 accused.

BELGIUM

Nov. 28—Prime Minister Wilfried Martens and his Cabinet are sworn in.

BRAZIL

Nov. 16—Jânio Quadros wins the election for mayor of São Paulo; Quadros had the backing of rightist forces.

CANADA

Nov. 7—Royal Canadian Mounted Police arrest 2 Sikhs in connection with the June crash of the Air-India jet off the coast of Ireland and a June bomb explosion at Narita Airport in Japan.

CHILE

Nov. 6—It is reported that two people have been killed, 40 wounded and 460 arrested in the last 2 days of protest against the military government of President Augusto Pinochet.

Nov. 25—Six bombs are exploded in Santiago and 3 bombs are

exploded in Valparaíso; no injuries are reported.

CHINA

Nov. 20—Students demonstrate for 2 hours in Tienanmen Square to protest Japan's "economic aggression."

COLOMBIA

Nov. 8—At least 100 people have been killed since leftist guerrillas took over the Palace of Justice yesterday. The military captured the palace today; about 30 guerrillas and 9 of the court's justices are among the dead.

Nov. 14—A volcano erupts in northern Colombia, killing at least 15,000 people.

CYPRUS

Nov. 1—Parliament unanimously votes to dissolve itself and hold elections on December 8.

EGYPT

(See also *Intl, Intl Terrorism*)

Nov. 5—President Hosni Mubarak meets with Palestine Liberation Organization (PLO) Chairman Yasir Arafat in Cairo.

Nov. 7—Arafat says that the killing of innocent citizens is wrong and that the PLO will punish Palestinians who carry out attacks outside Israeli-held territory.

Nov. 11—Interior Minister Ahmed Rushdi says that 4 Libyans were arrested last week for trying to assassinate Libyan exiles.

Nov. 24—The government declares a state of emergency in the Libyan border area.

EL SALVADOR

Nov. 3—The armed forces announce that 181 people were killed in fighting last month.

Nov. 11—At least 25,000 workers strike today; the strikers are asking for higher wages and are protesting the arrest of union leaders for subversion.

Nov. 16—The leaders of the leftist guerrillas call for power-sharing in a transitional government.

ETHIOPIA

Nov. 20—The French medical aid agency Doctors without Borders says that 100,000 Ethiopian refugees have died in the Ethiopian government's resettlement program; the agency says people are being forced to move at gunpoint.

FRANCE

(See also *New Zealand*)

Nov. 9—Parliament approves a 5.4 percent increase in the military budget for 1986.

Nov. 12—Defense Minister Paul Quilès says that France will begin to develop missiles that could penetrate any Soviet ballistic missile defense system.

Nov. 13—The government announces a partial amnesty for crimes committed by settlers and nationalists in the island territory of New Caledonia before September 29, 1985.

GERMANY, WEST

Nov. 24—In Frankfurt, a car bomb explosion near an American military shopping area wounds 35 people, mainly Americans.

Nov. 25—Federal police say that they are looking for 2 Arabs in connection with yesterday's bombing.

GREECE

Nov. 17—A boy is killed by police after a march by over

100,000 people against Greek participation in NATO becomes violent.

Nov. 18—Prime Minister Andreas Papandreou refuses to accept the resignations of the interior minister and the deputy interior minister; the 2 tendered their resignations because of yesterday's killing. Greece's 3 top police chiefs are suspended because of police actions during yesterday's demonstration.

GUATEMALA

Nov. 4—Results from yesterday's presidential elections give Christian Democrat Marco Vinicio Cerezo Arévalo the lead. Arévalo must compete in a December 8 runoff election with second-place National Union of the Center candidate Jorge Carpio Nicolle.

GUYANA

Nov. 2—President Hugh Desmond Hoyte announces that general elections will be held on December 9, 4 months earlier than scheduled.

HONDURAS

Nov. 24—Elections are held for the presidency; the governing Liberal party appears to have taken the lead, but no party has claimed victory.

INDIA

(See also *Canada*)

Nov. 7—Foreign Secretary Romesh Bhandari meets with Sri Lankan Tamil separatist guerrilla leaders to discuss an end to Tamil warfare against the Sri Lankan government.

Nov. 21—A report by Director of Air Safety Hoshier Singh Khola concludes that a bomb caused the crash of an Air India jet in June, 1985, killing all 329 people on board.

IRAN

(See also *Intl, Iran-Iraq War*)

Nov. 23—The official government press agency announces that Ayatollah Hussein Ali Montazeri has been formally designated the successor to Iran's religious leader, Ayatollah Ruhollah Khomeini.

IRAQ

(See *Intl, Iran-Iraq War*)

IRELAND

(See also *U.K., Great Britain, Northern Ireland*)

Nov. 21—The Parliament approves an agreement with the British government that gives Ireland an advisory role in the domestic affairs of Northern Ireland; Northern Ireland will remain British.

ISRAEL

(See also *Morocco; U.S., Administration*)

Nov. 10—Government sources report that Prime Minister Shimon Peres and Jordan's King Hussein have reached an informal agreement on talks; Israel would participate in an international Middle East peace conference if Jordan sponsored Palestinians acceptable to Israel at the conference.

Nov. 14—Peres withdraws his threat to dismiss Minister of Industry and Trade Ariel Sharon because of Sharon's recent speeches attacking Peres; Sharon has apologized for the attacks.

Nov. 24—Government officials say that political leaders had no knowledge of Israeli spying in the U.S. On November 21, an American was arrested in Washington, D.C., for giving secret information to Israel.

Nov. 28—The government says it will return documents sup-

plied to it by U.S. naval analyst Jonathan Pollard; Pollard was arrested this month in the U.S. for spying for Israel.

ITALY

Nov. 8—Prime Minister Bettino Craxi wins a confidence vote in the Senate, 180 to 102; the vote was called after Craxi said the PLO's armed struggle was legitimate.

Nov. 18—Five Palestinians accused of hijacking the cruise ship *Achille Lauro* last month are convicted of possessing guns and explosives; they are given prison sentences ranging from 4 months to 9 years. The men will be tried later for the actual hijacking and the killing of a U.S. citizen during the hijacking.

JAPAN

(See also *China*)

Nov. 7—The government says that a Japanese airliner strayed near the Soviet Union's Sakhalin Island on October 31; Soviet fighter planes took off to intercept the jet.

Nov. 29—The government accuses leftists of sabotaging 23 commuter rail lines today in support of engineers on a 24-hour strike.

JORDAN

(See also *Egypt*)

Nov. 8—King Hussein says he welcomes PLO Chairman Arafat's denouncement today of terrorism; Hussein says it is a "positive sign."

KAMPUCHEA

(See *Intl, UN*)

LEBANON

Nov. 2—Prime Minister Rashid Karami meets in Damascus with First Vice President Abdel Halim Khaddam to discuss Syria's mediation of Lebanon's civil war.

Nov. 7—A caller claiming to represent Islamic Holy War says that the group has killed all 6 U.S. hostages it is holding; no bodies are found.

Nov. 8—Four U.S. hostages send a letter to U.S. President Reagan asking him to negotiate with their captors, who are demanding that Kuwait release 17 men who were convicted of carrying out bomb attacks in Kuwait.

Nov. 17—Terry Waite, the special envoy for the Archbishop of Canterbury, says he met with the captors of 4 of the 6 Americans; he was sent to gain the release of the men after they sent a letter to the Archbishop.

Nov. 23—At least 52 people have been killed and 225 wounded in the last 4 days of fighting between Druse and Shiite Muslim militias in Beirut.

Nov. 27—A 100-man Syrian peacekeeping force arrives in Beirut to police a cease-fire that was arranged on November 22 between the Shiite and Druse militias.

LIBERIA

(See also *Sierra Leone*)

Nov. 12—President Samuel K. Doe says today's coup attempt against his military government has been crushed; fighting is still reported between loyalist troops and the dissidents.

Nov. 18—The government recalls its ambassador to Sierra Leone; it says Sierra Leone allowed the coup to be staged from its territory. The leader of the coup attempt, retired General Thomas Quiwonka, is reported killed.

Nov. 21—Trials begin for 11 people implicated in the coup.

LIBYA

(See also *Intl, Intl Terrorism; Egypt; U.S., Foreign Policy*)

Nov. 7—At a news conference, Head of State Muammar

Qaddafi says that reported U.S. efforts to topple his government amount to "a new Nazism"; he says Libya will retaliate if such a destabilization plan is put into effect.

MALTA

(See *Intl, Intl Terrorism*)

MOROCCO

Nov. 25—King Hassan II says he is willing to meet with Israeli Prime Minister Shimon Peres if there is a "real basis for discussion."

Nov. 26—Hassan says that negotiations with Israel can occur only if Israel gives up the occupied territories.

THE NETHERLANDS

Nov. 1—Prime Minister Ruud Lubbers announces that the Netherlands will allow the deployment of U.S. cruise missiles in 1988.

Netherlands Antilles

Nov. 23—Election officials report that the centrist National People's party of Prime Minister Maria Liberia won yesterday's general elections.

NEW ZEALAND

(See also *U.S., Foreign Policy*)

Nov. 22—The Auckland High Court sentences 2 French secret agents to 10 years in jail for the death of a crewman on the *Rainbow Warrior*, the environmentalist group Greenpeace's ship; the agents planted a bomb on the ship.

NICARAGUA

Nov. 1—Discussions on resuming negotiations between the U.S. and Nicaragua break off; each side blames the other.

Nov. 11—President Daniel Ortega Saavedra says Nicaragua will not sign a regional peace agreement until the U.S. ends support for the right-wing guerrillas (contras) trying to overthrow the government.

Nov. 12—Defense Minister Humberto Ortega Saavedra says that Nicaragua may acquire new military aircraft to counter U.S. F-5 jets sent to Honduras.

Nov. 21—The independent Human Rights Commission says it has been ordered by the government to submit its reports to the government to be censored.

PHILIPPINES

(See also *U.S., Foreign Policy*)

Nov. 3—President Ferdinand Marcos says he will allow early presidential elections; he sets a date of January 17, 1986.

Nov. 8—Marcos says he will submit a letter of resignation soon to the National Assembly, but will remain President until the 1986 elections.

Nov. 11—Defense Minister Juan Ponce Enrile says it will take at least a decade to defeat the Communist insurgency in the Philippines; Marcos has said that the Communists could be defeated in 1 year.

Nov. 12—The conservative U.S. evangelical, Jerry Falwell, ends a 2-day visit to the Philippines in support of Marcos; he calls the Philippines a "great land and a free country."

Nov. 14—Marcos and the opposition agree to postpone the elections until February 7, 1986.

POLAND

Nov. 6—General Wojciech Jaruzelski resigns as Prime Minister and becomes President; Zbigniew Messner becomes Prime Minister.

Nov. 11—Foreign Minister Stefan Olszowski is removed from the Politburo.

Nov. 12—Prime Minister Messner introduces his 26-member Cabinet; he says he will consult with Jaruzelski during his tenure.

SIERRA LEONE

(See also *Liberia*)

Nov. 20—Sierra Leone's ambassador to the U.S. denies Liberian accusations that Sierra Leone helped with the failed coup attempt in Liberia this month.

SOUTH AFRICA

(See also *U.K.*, *Great Britain*)

Nov. 2—The government imposes restrictions on local and foreign coverage of demonstrations in areas under emergency rule; photographers and television crews are forbidden to cover demonstrations.

Nov. 5—The government withholds the passport of the Reverend Allan Boesak, a leading anti-apartheid spokesman; Boesak planned to travel to the U.S. to receive a humanitarian award.

Nov. 8—Tony Heard, the editor of a Cape Town newspaper, is arrested for violating the Internal Security Act after his paper published an interview yesterday with Oliver Tambo, the head of the banned African National Congress.

Nov. 11—Minister of Manpower P.T.C. du Plessis says that the government has prepared contingency plans to send foreign workers home if international economic sanctions are intensified against South Africa.

Nov. 13—The business group that markets Krugerrands says it is suspending production of the coin; the group says the temporary suspension is not connected to the U.S. ban on Krugerrands imposed by U.S. President Reagan in September, 1985.

Nov. 18—Nine blacks are killed in Queenstown after police open fire on a rock-throwing crowd. Four other blacks are killed in related violence throughout the country.

Nov. 20—The Economic Committee of the President's Council condemns the Group Areas Act, which allows residential segregation; the committee says the act prohibits Asians, blacks and mixed-race people from competing economically with the "economically dominant areas of the country."

Nov. 22—Authorities say that 7 more bodies have been found in Mamelodi, bringing to 13 the number killed by police; the shootings occurred during a protest over high rents and the presence of police and security teams in the township.

SPAIN

Nov. 19—Prime Minister Felipe Gonzalez says Spain wants the number of U.S. troops stationed in Spain to be reduced.

Nov. 24—About 50,000 right-wing supporters of the late dictator, Generalissimo Francisco Franco, march in Madrid to mark the 10th anniversary of Franco's death.

SRI LANKA

(See also *India*)

Nov. 1—The Defense Ministry reports that 10 Tamil guerrillas were killed in a battle today; the guerrillas and the government agreed on a cease-fire on October 16.

Nov. 16—A land mine kills 4 police officers; 7 guerrillas are killed by police. Police reportedly kill 6 other people in the village of Batticaloa in retaliation for the guerrilla attack.

SYRIA

(See *Lebanon*)

TANZANIA

Nov. 5—Ali Hassan Mwinyi is sworn in as the nation's second President by outgoing President Julius Nyerere.

TURKEY

Nov. 19—The government rescinds 7 years of martial law in Istanbul; martial law is also lifted in 8 provinces, but 9 others are still under military rule.

UGANDA

Nov. 10—A Uganda Airlines plane with 49 people on board hijacked by National Resistance Army guerrillas in Uganda; the plane is forced to land in guerrilla-controlled territory in Uganda.

U.S.S.R.

(See also *Intl. Arms Control*, *UN*, *U.S.-Soviet Summit*, *Warsaw Pact*; *Afghanistan*; *Japan*; *United Arab Emirates*; *U.S.*, *Foreign Policy*)

Nov. 2—Tass, the official press agency, reports that Airer Industry Minister Ivan Silayev has been named a Deputy Prime Minister; a former deputy Prime Minister, Ziyat Nuriyev, retired yesterday.

Nov. 4—The government newspaper *Izvestia* carries the transcript of an interview it conducted with U.S. President Reagan; the President's remarks on Afghanistan are deleted from the transcript.

Nov. 10—A Tass commentary says that President Reagan's speech yesterday to the Soviet people shows that the U.S. is not interested in peace.

Nov. 14—Vitaly Yurchenko, a Soviet defector who decided to return to the Soviet Union, tells a press conference that he was never associated with the KGB (Soviet secret police); the U.S. asserted.

Nov. 15—U.S. State Department officials report that the Soviet Union will allow the Soviet spouses of some American citizens to leave the Soviet Union for the United States.

Nov. 18—Arriving in Geneva for the U.S.-Soviet summit, General Secretary Gorbachev says that the arms race will be the "first and foremost" issue at the summit.

Nov. 22—Tass reports that 5 ministries and an agricultural committee have been abolished by the Presidium of the Supreme Soviet; the State Committee for the Agro-Industrial Complex will take over their tasks.

Nov. 25—The Politburo issues a statement saying that the U.S.-Soviet summit meeting may lead to an improvement in the "political and psychological climate" between the nations.

Nov. 27—In a televised speech, Gorbachev says that the "overall balance sheet of the Geneva [summit] meeting is positive."

UNITED ARAB EMIRATES

Nov. 15—The government announces that it is establishing diplomatic relations with the Soviet Union.

UNITED KINGDOM

Great Britain

(See also *Ireland*; *Lebanon*)

Nov. 2—About 100,000 people demonstrate in London against apartheid in South Africa; the protest is led by the American evangelical and former candidate for the Democratic presidential nomination Jesse Jackson.

Nov. 15—The House of Lords approves an agreement with Ireland giving Ireland a limited advisory role in the domestic affairs of Northern Ireland. A joint secretariat of British and Irish officials will be established in Northern Ireland for discussions on security matters and issues affecting Northern Ireland's Roman Catholic minority.

Prime Minister Margaret Thatcher and Irish Prime Minister Garret FitzGerald sign the Anglo-Irish treaty in Hillsborough, Northern Ireland.

- Nov. 16—Treasury Minister of State Ian Gow resigns to protest the Anglo-Irish accord.
- Nov. 27—The House of Commons votes 473 to 47 to approve the Anglo-Irish accord. Fifteen Protestant members of Parliament from Ulster resign in protest.

Northern Ireland

- Nov. 20—Secretary of State for Northern Ireland Tom King is accosted and beaten by a Protestant mob.
- Nov. 23—Between 70,000 and 100,000 Protestants demonstrate in Belfast against the British-Irish accord.

UNITED STATES

Administration

- Nov. 1—The White House announces that President Ronald Reagan was given a postoperative examination at Bethesda Naval Hospital today; all results are reported normal.
- Nov. 6—The Drug Enforcement Agency reports that use of the drug cocaine rose 11 percent in the U.S. in 1984.
- Nov. 7—President Reagan nominates Dr. Otis R. Bowen as Secretary of Health and Human Services.
- Nov. 8—The Federal Deposit Insurance Corporation announces the closing of 2 more banks, bringing the total of closed banks so far in 1985 to 100, the largest number of bank failures since 1933.
- Nov. 12—Arthur Walker, a retired Navy lieutenant commander, is sentenced to life imprisonment for espionage.
- Nov. 13—Education Secretary William Bennett proposes that Congress adopt legislation that would give low-income families vouchers worth \$800 per child per year to be used for private or public schooling, including remedial education.
- Nov. 14—The Environmental Protection Agency (EPA) approves an experiment by Advanced Genes Sciences, a private corporation, to release small quantities of genetically altered bacteria designed to aid in preventing frost damage to strawberry plants.
- Nov. 15—President Reagan reduces his intelligence oversight panel from 21 to 14 members; 10 of the previous members remain on the panel and the new members include Jeane Kirkpatrick, former U.S. Ambassador to the UN.
- Nov. 17—The EPA lists some 403 toxic chemicals made or used in the U.S. that can cause public health dangers in case of accident; some 5,777 companies handle these chemicals.
- Nov. 21—Navy analyst Jonathan Jay Pollard is arrested on charges of selling classified information to Israel.
- Nov. 22—Pollard's wife, Anne Henderson Pollard, is arrested on charges of possessing classified documents.
- Nov. 23—Retired Central Intelligence Agency (CIA) analyst Lang Wu-Tai Chin is arrested and charged with supplying classified documents to China for the last 30 years.
- Nov. 25—Ronald W. Pelton, a former National Security Agency communications specialist, is arrested and charged with selling secret U.S. information to the Soviet Union over a 5-year period.
- Nov. 26—President Reagan arrives at his Santa Barbara ranch for the Thanksgiving holiday.
- Nov. 27—In U.S. district court in Washington, D.C., Judge John H. Pratt rules that the administration is violating the Freedom of Information Act when officials refuse to divulge the status of regulations proposed by the Food and Drug Administration but delayed by White House officials.
- Nov. 30—President Reagan's science adviser, George Keyworth 2d, announces his resignation effective December 31.
- Commenting on the recent espionage arrests, President Reagan says that the U.S. will discover and prosecute spies of any nation.

Civil Rights

- Nov. 26—The Justice Department files suit in Los Angeles to overturn a 1982 city redistricting plan; the department says the plan deprives the Hispanic population of proper political representation on the City Council and violates the Voting Rights Act of 1965.

Economy

- Nov. 1—The Labor Department reports that the nation's unemployment rate remained at 7 percent in October.
- Nov. 15—The Labor Department reports that its producer price index rose 0.9 percent in October.
- Nov. 20—According to the Commerce Department, the nation's gross national product (GNP) rose at an annual rate of 4.3 percent in the 3d quarter of 1985.
- Nov. 22—The Labor Department reports that its consumer price index rose 0.3 percent in October.
- Nov. 27—The New York Stock Exchange's Dow Jones industrial average of leading stocks closes at a new record high of 1475.69.

Foreign Policy

- (See also *Intl, Arms Control, NATO, U.S.-Soviet Summit; Afghanistan; Germany, West; Israel; Lebanon; Libya; Nicaragua; South Africa; Spain; U.S.S.R.; Vietnam*)
- Nov. 1—According to congressional and administration sources, in a new arms-control proposal in Geneva announced yesterday, President Reagan proposed that the Soviet Union should scrap plans for mobile SS-22 and SS-25 missiles; in return, the U.S. would not continue to develop its Midgetman mobile missile.
- The U.S. and the European Common Market agree on a 4-year pact that will limit European steel exports to the U.S. to 5.5 percent of the U.S. market.
- Chairman of the Senate Select Committee on Intelligence Dave Durenberger (R., Minn.) asks Philippine President Ferdinand Marcos to retire since he is incapable of bringing reform to his country.
- Nov. 2—In his weekly radio address, President Reagan says he is encouraged by the Soviet agreement to extend the Geneva arms reduction negotiations and by the offer of a 50 percent cut in nuclear arms, but he has "an entirely different perception" from the Soviet Union of the ingredients of such a reduction.
- Nov. 3—According to administration sources, President Reagan has agreed to a covert CIA operation to weaken the Libyan government of Colonel Muammar Qaddafi by aiding countries opposing him.
- Nov. 4—Vitaly Yurchenko, a defected KGB (Soviet secret police) officer, says he is returning to the Soviet Union; he claims to have been kidnapped and drugged last summer by CIA agents in Rome and brought to the United States, where he was imprisoned by the CIA.
- In an interview in Washington, D.C., with 4 Soviet journalists, President Reagan says that the U.S. will not use its Strategic Defense Initiative (SDI) against enemy missiles until the U.S. and the Soviet Union "do away with our nuclear missiles, our offensive missiles."
- White House spokesman Larry Speakes says that the U.S. hopes for a "credible and fair" election in the Philippine elections scheduled for 1986.
- Nov. 5—Secretary of State George Shultz says that his meetings in Moscow with Soviet officials failed to narrow the differences to be discussed when President Reagan and Soviet General Secretary Mikhail Gorbachev meet at Geneva.
- Nov. 6—Secretary Shultz returns from Moscow.
- President Reagan says that the 3 recent Soviet defections

to the U.S. "might have been a deliberate ploy" to make his coming summit meeting more difficult.

Nov. 9—Soviet seaman Miroslav Medved, who jumped ship twice while his ship was in a Louisiana port, returns to the Soviet Union; U.S. officials report that Medved did not want to defect.

In a 10-minute radio address to the Soviet Union, President Reagan assures the Soviet people of peaceful American intentions.

Nov. 14—In a nationally televised address, President Reagan says his summit meeting with Soviet leader Gorbachev "can be a historic opportunity to set a steady, more constructive course in the 21st century."

Nov. 15—In a letter disclosed on the eve of the President's departure for Geneva, Defense Secretary Caspar Weinberger gives the President a list of Soviet treaty violations; he asks the President not to agree to observe the terms of the never-ratified SALT II (the Strategic Arms Limitation Treaty), not to limit research on the Strategic Defense Initiative and not to agree to a communiqué obscuring the Soviet record of arms control violations.

Nov. 16—An administration official traveling with the President says of Weinberger's leaked letter, "sure it was" sabotage; White House spokesman Larry Speakes says that the President would rather have read the letter in "the Oval Office and not in *The New York Times*."

President Reagan arrives in Geneva for his summit meeting with Soviet leader Gorbachev.

Nov. 19—President Reagan and Gorbachev begin 2 days of meetings.

Nov. 21—President Reagan returns to the U.S. and addresses a joint session of Congress. He says that his summit talks opened the way for a "new realism" in dealing with the Soviet Union.

Nov. 22—In a Washington, D.C., interview, President Reagan says that he would approve a grant of "covert aid" to the rebels in Angola.

The Department of Transportation announces that the U.S. and the Soviet Union have agreed to resume direct commercial airline service between the 2 countries.

Nov. 23—In his weekly radio broadcast, President Reagan says that "Mr. Gorbachev understands we have no intention" of halting the Strategic Defense Initiative.

Nov. 24—The State Department says the U.S. supports the "difficult decision" of the Egyptian and Maltese governments to storm the hijacked Egyptian airliner in Malta; it regrets the large loss of life.

Nov. 25—101 congressmen send a letter to President Reagan asking him not to provide covert aid for the rebels in Angola.

Nov. 28—According to State Department officials, the U.S. has warned New Zealand that if it enacts legislation to bar U.S. ships capable of carrying nuclear weapons from New Zealand ports, the U.S. will scrap the ANZUS (Australia, New Zealand and U.S.) pact for mutual protection.

Legislation

Nov. 1—The White House announces that President Reagan has signed a bill extending for 2 months a program allowing full-time government workers to adjust their working hours to their personal needs.

Voting 249 to 180, the House approves a rider to a measure to raise the debt ceiling, calling for a balanced budget by 1990.

The House sends a bill providing for a \$17-billion increase in the debt limit good for 5 days to the Senate and then recesses.

Nov. 5—In a 87-7 vote, the Senate finally approves Winston Lord as Ambassador to China; a conservative, Jesse Helms

(R., N.C.), blocked the nomination for 5 weeks.

Nov. 8—President Reagan vetoes a \$2.3-billion bill that would require the National Institutes of Health to undertake specific research activities.

In a 96-1 vote, the Senate approves a bill setting up a new optional pension plan for federal employees.

Nov. 14—President Reagan signs 2 stop-gap bills financing the government; one increases the debt ceiling by \$30 billion to allow the government to borrow money through December 11; the other bill continues the financing of government agencies through December 12. Congress rushed the bills to the President for his signature before a midnight deadline.

Nov. 19—Congress passes and sends to the President a \$9 billion military construction appropriation bill.

Nov. 20—The Senate votes 89 to 7 to override President Reagan's veto of a \$2.3-billion bill for research at the National Institutes of Health through 1988; the House voted to override the veto on November 12, 380 to 32.

Nov. 21—In voice votes, the House and Senate approve a bill for the programs of the National Aeronautics and Space Administration, with a ceiling of \$7.7 billion.

Nov. 23—The Senate votes 61 to 28 to pass a 4-year farm bill; the bill freezes crop price supports for 2 years; thereafter the will be decreased by 5 percent a year.

Military

Nov. 1—Defense Secretary Caspar Weinberger says now that he has all the facts regarding the government's plea bargain with John Walker Jr. in his espionage trial, Navy Secretary John Lehman "is in complete agreement with the government's decision"; Lehman previously and publicly disagreed with the plea bargain.

Politics

Nov. 5—Elections are held nationwide with local and state issues dominating the political scene.

In Virginia, Democrat Gerald Baliles is elected governor by a large majority; L. Douglas Wilder, a black, is elected lieutenant governor, and Mary Sue Terry becomes Virginia's first woman attorney general.

In New Jersey, Republican Governor Thomas Kean is reelected.

In New York City, Mayor Edward Koch wins a third term.

Nov. 26—Chairmen of the national Democratic and Republican parties agree that the 2 parties will be the main sponsors of any presidential debates in a general election; the League of Women Voters has traditionally sponsored the debate; and opposes the suggestion.

Science and Space

Nov. 6—The space shuttle *Challenger* returns after 7 days in orbit with 8 astronauts on board.

VATICAN

Nov. 24—Pope John Paul II opens a synod of 165 bishops; the synod will review the decisions of the Second Vatican Council.

VIETNAM

Nov. 13—U.S. military officials arrive in Hanoi to begin the joint excavations of a site where a U.S. bomber crashed during the Vietnam war.

ZIMBABWE

Nov. 12—In London, Amnesty International reports an increase in the arbitrary arrest and torture of opponents of the government. ■



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